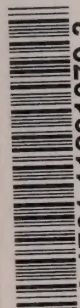


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The Royal Commission
on
Metropolitan Toronto

**The Provision
and Conservation
of Housing
in
Metropolitan
Toronto**

Background Report

THE PROVISION AND CONSERVATION OF HOUSING IN METROPOLITAN TORONTO

A DESCRIPTION AND ANALYSIS OF THE HOUSING PRODUCTION
AND CONSERVATION PROCESSES IN METRO AND THE ROLES
OF GOVERNMENT IN THOSE PROCESSES

A REPORT PREPARED FOR:
THE ROYAL COMMISSION ON METROPOLITAN TORONTO

BY:
KLEIN & SEARS
RESEARCH / PLANNING / ARCHITECTURE
147 DAVENPORT ROAD
TORONTO, ONTARIO M5R 1J1

APRIL, 1975

PREFACE

This study is one in a series of background reports prepared for The Royal Commission on Metropolitan Toronto, designed to provide the public with an appreciation of Metropolitan Toronto and its government, prior to and during the public hearings. A full listing of the background studies appears on the inside back cover of this document.

Any opinions or views expressed herein are those of the consultants and are not necessarily shared by the Commission.

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SUMMARY

This background study describes the production and conservation of housing within Metropolitan Toronto. Housing has become a major concern over the last few years as costs of new and old housing have risen dramatically and the production of new housing has decreased sharply. As a result there has been increasing intervention in both the production and conservation of housing by all levels of government. This report concentrates on the effects of government involvement by looking at 1) the provision of new housing, 2) the conservation of existing housing, 3) the existing situation, and concludes with 4) an overall assessment of government activity in housing. These four sections of the report are summarized below.

THE PROVISION OF NEW HOUSING

The Production Process: The rather complex involvement of government in the production of housing is described in this report in relationship to the four basic stages of the production process -- the motivation to build, the preconstruction stage, the construction stage, and the management and operation stage.

The first stage involves both the basic motivation to provide new housing and the specific motivation to build in a particular location. In the most general terms each of the three sectors involved in housing production has a basic motivation to build. The private sector builds housing to make a profit; the public sector is motivated to provide housing for low income households at a cost they can afford; and the emerging third sector in housing production (the non-profit sector) is concerned with providing housing at lower than market costs.

However, the motivation to undertake a specific project on a specific site at a specific time is to a large extent influenced by government action. The political climate towards development in a municipality and the kind of public funding which is available, are significant factors influencing a producer's decision to build.

Once motivated to undertake the production of new housing, any producer (public, private or non-profit) must engage in a series of pre-construction activities. These include

the assessment of the market; the selection and acquisition of a site to build on; securing financing, and the network of activities involved in the design of a project and obtaining the required government approvals.

Government has a major impact on this stage of the production process through a variety of activities including the provision of financing, the assembly and development of land, and the establishment of land use controls. The effects of these government activities are complicated by the fact that all levels of government, federal, provincial, regional and area municipality are involved in this pre-construction stage.

The construction of housing in the Metro region has become a major industry. There are a large number of builders, (many of whom are capable of large scale operations) as well as a series of efficient sub-contractors who provide the thousands of skilled tradesmen necessary to build the substantial number of housing units which have been produced annually. Government influence in this stage is essentially regulatory -- ensuring that construction meets established standards and is conducted in a safe manner.

The fourth stage of the production process is operation and management. Multiple rental housing has been undertaken on a relatively large scale by builders and investors and in general has resulted in specialized management personnel who ensure that most such housing is reasonably well managed and maintained. On the other hand, condominium housing which has developed very rapidly over the last few years has had many initial management problems as a result of limited experience with this complex situation in which there are many private owners in a communal context.

Government involvement in management and operation by the private sector has been limited to legislation such as that controlling standards of maintenance and landlord-tenant relationships. Government, however, also is directly involved in housing management through the operation of the large existing stock of public housing units for families and senior citizens.

Major Governmental Involvements in the Production Process:
In total, government has a profound effect on the production of new housing. In order to clarify the roles of the

various levels of government in the production of housing, their activities have been categorized in this report into three major areas: financing, planning and regulation, and direct involvements.

Most government funding for housing is in the form of loans and is therefore not an expenditure but an investment. Loaning money for the construction of housing through the provision of mortgages was initiated by the federal government in 1935. Since that time, the federal government has invested over 8.5 billion dollars in housing across the country and encouraged private investors to invest another 13.5 billion dollars. These funds have been made available both to the private sector and other levels of government and have resulted in approximately 1,700,000 dwelling starts of both private and publicly provided housing.

The federal government initially provided mortgages primarily in support of middle income housing, although it also provided some funding for low and moderate income groups. In 1968, priorities were established for an increasing proportion of funds to be devoted to housing for low income groups. In the last few years, the federal government has re-oriented its priorities again so that housing for middle and moderate income groups is now being emphasized.

The Metro Toronto region has benefitted substantially from this federal investment. For example, over 86,000 units out of a total of about 400,000 units produced in the region during the last two decades were federally funded. Of these 60,000 were for low income groups (over half of which are public housing for families and senior citizens).

The provincial government has not been involved in lending money for as long nor at as large a scale as the federal government but like the federal government, it has adjusted its funding priorities according to perceived needs. While the primary concern has been with stimulating the private sector in the production of housing for moderate to middle income households, the emphasis has recently changed from condominium housing to single family homes and rental housing. The province has also substantially increased its housing budget this year, so that provincial funding may exceed that of the federal government in Ontario for the first time.

In addition to money loaned directly for housing purposes, there are also intergovernmental loans and grants for services and infrastructure necessary for the provision of housing. These include schools, recreational facilities, sewage treatment facilities, roads, etc. Although these topics are dealt with in other reports to the Commission, they are of great significance, for housing cannot be provided without these services and facilities.

Government also incurs direct costs for housing in the form of operating subsidies for low income housing. In addition government provides a number of grants such as those to encourage the production of non-profit housing.

All levels of government contribute to operating subsidies. However, to date the federal government has been able to offset its costs from interest on its housing loans, while provincial and local governments have had to pay their share of costs out of general revenue. Both federal and provincial governments provide grants for non-profit housing but as these programs are relatively recent, they do not yet constitute a major cost.

The most visible direct activity of government has been in the provision of public housing. As noted above, this provision, with the attendant subsidies, has been a major cost to government. However, many low income households have been able to obtain housing at a cost related to their income as a result of this expenditure. Local resistance to family public housing has resulted in a new approach to the provision of housing for low income families wherein units are integrated with other housing through such programs as non-profit housing. This type of approach to provision has not as yet resulted in an adequate number of units to accommodate the growing number of housing poor families. Consequently, this area of government activity is one in need of thorough examination.

Another area of direct activity in housing by government is in the assembly of land for housing. Governments have been involved in land assembly for some time, but as the cost of land has soared in the last few years, government land banking has increased. All levels of government can now assemble land for housing. There are currently over 20,000 acres of land in provincial land banks as well as another 25,000 acres in the process of being assembled in North Pickering. The City of Toronto also has commenced land assembly for its St Lawrence scheme.

While land assembly has enabled governments to reduce both the cost of land and thereby the cost of housing produced through its own programs, government involvement in land assembly does not appear to have had any significant impact on the cost of land more generally. In this regard the recent land speculation tax might have a more direct effect.

In addition to financing housing and direct involvements in housing production and land assembly, government also has a significant impact on housing production through the regulation and control of housing development. Local municipalities regulate the location, density and type of housing to be provided through local development control and planning policies. At the same time, the province retains ultimate approval in these matters through the activities of the Ministry of Housing, the Ontario Municipal Board and in some instances, the Cabinet. Altogether, the regulatory and approval process, often involving the provincial government in addition to local governments, can be time consuming and counter productive.

In addition, the province has become involved to a significant degree in overall planning for the Metro region. When the Municipality of Metropolitan Toronto was formed in 1954, a jurisdiction was created which permitted growth to take place efficiently and within a rational framework. Now that pressure for growth has expanded beyond Metro, the province has created three new regional municipalities in the region surrounding Metro. There is no mechanism to coordinate growth amongst Metro and these three new regions, and although the province has undertaken a series of development and transportation studies for this broader region, it has not finalized a development strategy. Without a firm provincial strategy, the regional municipalities and local municipalities within the total region are constrained in their ability to develop precise planning and housing policies to accommodate growth. This, in addition to changing public attitudes with respect to growth, the frequently lengthy government approval process for new development and general cost escalations due to inflation, have contributed to the growing costs of housing and the reduction in production of housing.

Housing Production: Between 1952 and 1974, almost half a million (438,541) new dwelling units were produced in Metropolitan Toronto, more than double the total number of units that existed prior to that time. Most of this

growth (90%) took place in the City of Toronto and the boroughs of Etobicoke, North York, and Scarborough.

The nature of the housing produced during this period changed. Through the years, the proportion of apartment housing increased from an average of 35.6% of the total housing produced during 1952-56 to an average of 75.5% during 1972-74. In total, 60% of the housing units provided since 1952 have been apartment units.

The proportion of apartment construction has also varied significantly among area municipalities. For example, over 90% of new housing produced in the City of Toronto has been apartments while only one half of the new housing in Scarborough has been apartment units. Similarly of the 147,000 units built during the period 1962-74 in the region surrounding Metro, about one half were apartments.

THE CONSERVATION OF EXISTING HOUSING

The Existing Stock: To appreciate the significance of the conservation of housing, it is important to understand the nature of the total existing housing stock, both new and old. Current conservation issues are primarily concerned with individual older single family houses built in the first part of the century. As this type of housing becomes a decreasing proportion of the total stock, it also becomes an increasingly important asset in terms of the total scope of accommodation that is available.

Most of the housing in Metropolitan Toronto is relatively new. Only in the City of Toronto does the pre-1946 stock exceed the amount of housing built since that date. In each of the boroughs of Etobicoke, North York and Scarborough, between one-third and one half of the stock has been built since 1961.

The change in the type of housing produced since 1952, has changed the nature of the total existing stock both in terms of structural type and tenure. As of 1971, 40.6% of the total stock consisted of apartment units and 49% of the total housing stock was rental rather than ownership. It is apparent that although conservation concerns are currently centered around the single family type dwelling, in the future more attention will be required with respect to the conservation of apartment type units (both rental and condominium).

The Conservation Process: Although almost all conservation activities have been carried out by private householders or landlords, a growing public appreciation of the need for conservation has led to the development of a number of new government conservation policies and programs. For the most part these programs are intended to assist in the conservation of older single family housing in terms of upgrading such housing to acceptable standards of health and safety.

In order to present a more complete picture of conservation activities and issues and government involvement in the process, the report identifies four different aspects of conservation: maintenance and rehabilitation, conversion and renovation, demolition control, and preservation and reconstruction.

Maintenance and rehabilitation are concerned with keeping existing structures in a habitable condition. Most maintenance and rehabilitation is done privately. However, both the federal and provincial governments have recently developed funding programs to assist in the upgrading of individual houses and neighbourhoods. The City of Toronto has also developed its own programs for maintenance and rehabilitation of older housing.

One of the concerns of current programs and policies is to upgrade housing while enabling existing residents to maintain their occupancy. Another is to improve the quality of neighbourhoods through the upgrading of community facilities. This is in contrast to the older urban renewal approach which involved acquisition, demolition and redevelopment of older housing which was in poor repair.

To further encourage this type of conservation, the province has been encouraging municipalities to adopt maintenance standards and inspection programs. In order to ensure that the enforcement of such standards does not inflict hardships on existing residents, funding is made available to individual homeowners through the various programs. Renovation and conversion involve major improvements and/or changes in the arrangement or use of space. Although the federal government provides some funding for conversions, government activity in this area of conservation, is primarily regulatory through the use of building by-laws and zoning regulations to control physical alterations and changes in use.

The main concern with renovation, particularly in the City of Toronto, has been the effect that renovations have had on the cost of housing. "White painting" has forced whole neighbourhoods of housing through a transition from low-income housing to middle and upper income housing. Although this process serves to rejuvenate older housing, it also depletes the supply of low cost accommodation, leaving no alternatives to lower and moderate income households caught between high cost new housing and the rising cost of older housing.

Another aspect of conversion which has recently become a concern is change in tenure through the conversion of rental accommodation to condominium ownership. At a time when there is less than a 1% vacancy rate in rental projects, such conversions which actually reduce the amount of rental housing have caused great concern, and some of the area municipalities are making attempts to restrict them.

Control over demolition has for the most part consisted of the power of local municipalities to issue permits for demolition. The City of Toronto, has since 1967, also has had the power to defer the issuance of work or demolition permits for historic sites. Recent amendments to the Planning Act (1974), however, give some recognition to the importance of conservation in maintaining the total housing stock. Municipalities which have enacted a minimum maintenance standards by-law, now have the power to designate any area to which such a by-law applies, as an "area of demolition control". In such areas, the municipality may refuse to issue a demolition permit for one month. The purpose of this legislation is to give municipalities some control over demolition taking place far in advance of replacement.

The main objectives of reconstruction and preservation are to protect elements of architectural or historical importance rather than to preserve a functioning residential component of the existing physical fabric of the city. Most activity in this area has been carried out by private associations, such as historical societies, although these are now receiving more public support through local council-linked boards and committees. The City of Toronto is the only area municipality which has enacted legislation for the preservation of existing structures. For buildings designated as "historic", Council may defer the issuance of a work or demolition permit for up to 60 days. Recent provincial legislation permits the extension of this period to 180 days.

Major Governmental Involvements in the Conservation Process: Generally speaking, older housing in Metro is of good quality and in good repair. Paradoxically it is its desirability, rather than need for maintenance that has developed as the major issue in conservation. The growing demand for older housing, particularly in the City of Toronto, although responsible for the rejuvenation of many older neighbourhoods, has also resulted in the loss of low cost housing.

Recent government programs for conservation acknowledge this problem. In place of government assistance programs directed towards demolition and reconstruction as in urban renewal, all levels of government (with the exception of Metro), now have programs to assist private owners of modest income to improve their housing.

However, in spite of the increasing number of conservation programs being made available, the scale of government assistance in conservation is still very limited, particularly when compared to government intervention in the production of new housing. Furthermore, as the current approach of government assistance for conservation is relatively recent, it is difficult as yet to assess its effectiveness.

THE CURRENT HOUSING SITUATION

Until recently, housing provision has generally been able to keep pace with the demands of the market place. However, housing production has declined sharply, vacancy rates have declined from 3.2% in 1974 to 0.9% in 1975, and the cost of housing, especially the cost of acquiring a house, has escalated dramatically in the past few years.

One of the major factors in the reduction of housing starts has been the high cost of producing new housing. This has been particularly affected by the high cost of mortgage money and significant increases in the cost of land. Increases in construction costs have also been a contributing factor.

Not only has production declined, but the private sector, the major producer of housing, is now in many instances, unable to provide housing for other than upper income groups. Government has intervened in an attempt to broaden

the range of incomes the private sector can serve by such measures as providing money at lower than market rates in return for the provision of housing at lower than market rents or selling prices. However, in spite of government programs, housing production in the region is continuing to fall off.

The non-profit sector is also affected by increasing costs. There has been difficulty in getting projects under way, and to date there has not been a large quantity of non-profit housing produced in Metropolitan Toronto.

In addition, as a result of public resistance, there is virtually no public housing being produced for families (although the provision of housing for senior citizens is continuing). This, in combination with a general decline in the production of housing and the increase in housing costs is making the situation of low income families particularly critical and at the same time increasing the proportion of the population who can be described as housing "poor".

GENERAL ASSESSMENT OF GOVERNMENT ACTIVITIES

Although it is difficult to measure the effectiveness of governmental involvements in housing in precise terms, a general assessment can be of some value.

The most apparent characteristic of governmental intervention in housing is the extent to which all levels of government have become involved, particularly in housing production. (Involvement in housing conservation is more recent and on a much smaller scale.) Yet, the production of housing continues to decline. Although many factors contribute to this situation, there is obviously a need for clarification and coordination of the roles of all the various agencies and levels of government in housing.

The federal government has a greater impact on housing than any other level of government. It has a major impact on housing production indirectly through its general economic policies, but more significantly through its funding policies. It affects not only the production of housing by all three provision sectors, but also the housing activities of every other level of government. To a large extent the policies and programs of the province and local municipalities are directed by

and constrained by federal policies. There is a particular need for the federal government to develop long term funding policies which will create a predictable flow of money under explicit conditions, so that both the producers of housing and other levels of government can plan in parallel.

The role of the province has expanded so that it now embraces the whole spectrum of governmental activities in housing. Provincial involvement in planning is of particular concern. Although the province delegates much of its planning and regulatory authority to the local municipalities, it remains the final authority and the only one capable of developing an overall planning strategy for the region. Such a planning framework is necessary in order to enable municipalities (including regions) to develop precise plans and housing policies to accommodate growth.

The roles of local governments (both regional and area municipalities) are also in a state of flux. Changing attitudes towards development and conservation have resulted in more aggressive regulatory actions by some area municipalities. There is clearly a desire for development controls to allow new housing to be provided under more precise and effective public scrutiny; to encourage the existing stock of housing to be more effectively conserved; and to ensure compatibility between new housing produced and that which exists.

At the same time as the area municipalities have become more active in developing their own housing policies or more aggressive in establishing their own positions with respect to growth and development, the role of Metro in these areas has diminished. Attempts by Metro to have a greater impact on housing, (as in its recent interim housing policy), have been weak and ambivalent, as Metro cannot implement a housing policy without the agreement of the constituent municipalities. Some clarification of municipal responsibilities in housing is clearly needed.

In the area of public provision of housing, particularly family public housing, there is a need for all levels of government to re-examine the means of providing such housing. Alternative techniques which have been developed to take the place of public provision have not resulted in an adequate number of units and at the same time government priorities in housing are emphasizing housing for moderate to middle income households.

INTRODUCTION

"Housing ranked No. 1 problem in Metro", and headlines like this, have been appearing in Toronto newspapers with increasing regularity. The concern is not unwarranted. It is clear that there are problems. The situation in Metropolitan Toronto is now one in which a housing shortage exists, the cost of houses and rents are rising, and at the same time, housing starts are declining. This is of great concern to many of us and in turn is important to the well-being of the community.

The purpose of this paper is to describe the complex array of activities that constitute what can be termed the housing "system". The "system" actually consists of a multitude of independent activities by a large number of actors, both in the private and public sector, who are involved in regulating, financing, constructing and managing housing. Our description of these activities is organized around

- 1) the provision of new housing, and
- 2) the conservation of existing housing stock.

Together, the results of these two processes combine to form the total stock of housing at any point in time.

Housing production is initiated by both public agencies and private individuals, organizations and corporations. Similarly, housing is operated, maintained and conserved by public agencies as well as by private builders, developers and investors and homeowners.

The participants in housing provision can be grouped into three general sectors: the private sector which has produced over 90% of the total amount of housing built in Metro in the last two decades; the public sector which has been directly involved in the provision of housing for those unable to afford the housing available in the marketplace (mainly low income families and senior citizens); and the relatively new "third force" in housing production, the non-profit sector (either public or private) which is attempting to deal with the housing demands of that segment of the market not served by either the private or public sectors.

The process of conservation is essentially a private sector activity, although governmental involvement in it is increasing. In our definition, conservation includes: the rehabilitation and the maintenance of existing housing to a safe and sanitary standard; the renovation and conversion of existing buildings by means of major improvements and changes in use or arrangement of space; as well as the reconstruction and preservation of historic residential structures.

It is important to understand the nature of governmental intervention in both the production and conservation processes in order to have some understanding of the current housing situation. For although housing is primarily a private sector activity, government has always had some role in its provision and conservation, and this role has increased significantly over the last few years.

Every level of government, federal, provincial, metropolitan/regional and local has some say and some effect on both housing provision and conservation, and the collective governmental role is considerable. It includes activities directly concerned with housing, such as the basic determination of where new housing should be built and at what densities it should be built. It also includes many activities which affect housing provision and conservation indirectly. These include the provision of hard services such as roads, water and sewers, as well as the kind of soft services that should be available, such as education and social services.

Government involvement has also been used to provide special assistance by assisting those who are financially disadvantaged, through the provision of housing at a cost related to ability to pay rather than to the actual cost of shelter. Moreover, government, through its financial investment in loans for housing has had a large impact on the number of housing units provided annually.

The control and regulation of new housing development is also used by government for more general purposes not immediately related to housing. For example, the regulation of housing development can be used to direct the nature and rate of growth in an area.

The production of housing is a large factor in the economy, and it has been utilized by government as an economic tool for stimulating or retarding the economy through the regulation of funding available to the industry. While this has been effective for general economic purposes, often it has deleterious effects upon the housing consumer.

Government has been involved in housing provision and conservation for a long period of time. Over the years, policies, programs and regulations have changed, adapting to new conditions and new attitudes regarding the role that government should play.

The major role of the federal government has been and continues to be that of a banker, stimulating housing production. The provincial and local government roles historically have been more concerned with regulating housing. This has changed during the past two decades as the provincial, Metro and local governments became involved in direct provision of public housing. Also, during this time, more comprehensive planning began to be used as a means of directing and organizing large scale urban growth. Housing, however, was simply one aspect of that growth and the planning strategies that evolved often considered housing in only a peripheral way.

More recently, as housing has come to the forefront of public concerns, all levels of government have become more directly concerned with housing matters. The federal government has been developing new programs and changing its funding priorities rapidly. The provincial and local governments have responded to new opportunities created by some of these new programs by embarking on land banking, non-profit housing and conservation programs. In addition, the province has provided a focus for its housing activities by establishing a Ministry of Housing which has been developing policies and programs, some of which are independent of federal programs.

This greater government activity has to a large extent been a result of filling the gaps created by the inadequate performance of the private sector. There are many reasons for this inadequacy, most notably the pervasive effects of inflation, and despite the high level of governmental involvement, the housing situation in Metro is continuing to worsen.

Following the description of the two processes, production and conservation, which account for the total stock of housing at any one time (Parts 1 and 2), the third part of this report will examine the current housing situation in Metro in detail. Part 4 consists of a brief assessment of government involvement in housing in the light of current problems.

PART 1: THE PROVISION OF NEW HOUSING

This part of the report examines the provision of new housing under three major headings. The first section is a description of the production process indicating the various stages that take place in the provision of new housing. The discussion of each stage also involves a description of the effects of government action on housing production. The second section is a summary review of current and past government activities with respect to the provision of new housing. The final section describes the accomplishments of the housing production process in Metropolitan Toronto over the past twenty years in terms of the number and type of dwellings that have been built.

THE PRODUCTION PROCESS

To understand and appreciate the role of government in housing, it is essential to understand the complex process by which housing is produced. No matter who the producer is, this process involves four basic stages. First, a producer must be motivated to build. Second, the producer must have or acquire the money, land, approvals, materials, and labour necessary for building. The third stage, construction, is followed by sale or in the case of rental housing, the role of the producer is extended into the operation and management of housing.

Within these four basic stages, however, there is a great deal of variation in procedure, depending upon the individual producer. Producers are motivated by varying circumstances. Some producers may have land on which they can build, while others may have to acquire land. A small builder has a different financial base from which to work than does a large builder, and so on.

Government involvement in the production process is equally complex. Although government involvement in the direct production of housing has been significant, government's most significant impact on the production of housing has been through its influence on private sector producers. Through a variety of policies, programs and regulations, each level of government affects the private sector producer at some stage in the production process. The ways in which these policies, programs and regulations affect the individual producer are best described in relation to the stages of the production process where they apply. Each of the four stages, i.e., motivation, pre-construction, construction, and maintenance and operation, are therefore separately described below.

1) Motivation

The production of housing in Metro has been largely a private sector activity.¹ For the private sector producer, the prime motivation to build housing is to make a profit, either through its sale or through the development of an investment property (eg., a rental

¹According to information from the Ontario Housing Corporation and the Metropolitan Toronto Housing Company Ltd., of the 629,215 dwellings in Metropolitan Toronto as of the 1971 Census of Canada, only 24,830 or 4% of the total number of dwelling units were held by the public sector.

apartment building). Within this basic motivation, however, there are a variety of sets of circumstances which could stimulate the producer to build, and these vary according to the individual producer and the climate in which he operates.

In the case of a large corporation with many areas of investment activity, the motivation to get involved in building housing may arise from the attractiveness of housing as a long term investment. The value of housing, during inflationary times in particular, tends to grow, whereas many other forms of investment, such as stocks and bonds, tend to diminish in relative terms. This is a motivating factor which influences the investor, whether he is an individual contemplating buying a house as a hedge against inflation or an investor who uses his money to build housing which he will retain in his investment portfolio.

The corporate financial investor, however, is not the major housing provider. A large development industry has formed in and around Metropolitan Toronto in the last two decades. Although the industry consists of both large and small builders, some of the large development companies now undertake simultaneously a series of large projects each containing hundreds of units, whereas prior to 1954, not one firm in Metro Toronto was building as many as 100 dwelling units a year.¹ These large and small builders and developers are motivated to continue to provide housing for a variety of reasons. For example, they may have available staff whom they wish to keep employed; they may have land which was acquired for housing; or they may wish to continue to expand their operations.

A decision to build, based on land holdings can be particularly complex. There can be both financial advantages and disadvantages to developing a particular piece of land. A property may be well located for housing, but the political climate for developing it may be less than promising. On the other hand, the cost of holding that land if purchased with a small amount of equity, may outweigh the constraints on development.

¹ Albert Rose, Governing Metropolitan Toronto (Berkeley, University of California Press, 1972), page 31.

The motivation of a public sector producer is quite different. Basically, government involvement in the production of housing arises from a belief that everyone has the right to "decent" housing, and a recognition that government has some responsibility to ensure that housing is available at a cost that people can afford. In order to make housing available to low income groups, government has become a direct provider of some significance. A variety of agencies such as Central Mortgage and Housing Corporation (CMHC), the Ontario Housing Corporation (OHC) and the Metro Toronto Housing Company Ltd. have been involved for some time in the production of housing for low income families and senior citizens.

The degree to which the public sector is motivated to proceed with such housing, however, is dependent upon budget constraints which are determined by government priorities. These priorities tend to be set according to immediate, rather than long term problems and also must reflect the changing political climate.

An emerging third sector involved in the provision of housing includes non-profit and cooperative builders, or the "third force". Activity in this sector has expanded recently following an amendment to the National Housing Act (NHA) which improved funding arrangements for such housing. Prior to this amendment, a relatively small amount of non-profit housing was built for senior citizens by service organizations such as the Kiwanis Club. Similarly, a small amount of cooperative housing was produced by small independent groups.

The motivation to build non-profit or cooperative housing is primarily to provide housing at lower than market costs. This objective is now assisted by government through the provision of long term financing to such groups at considerably below market rates and through the provision of grants to reduce payments of capital costs. This, in combination with the elimination of the profit motive, so that rents are related to cost rather than market rates, should in the long run contribute to lower housing costs.

Both public agencies and private groups can take advantage of the beneficial financing available from the federal and provincial governments. The City of Toronto has recently established a non-profit housing corporation to build non-profit rental housing projects which are intended to accommodate moderate and lower income households.

Whatever the motive of the producer, a major determinant as to whether or not he will build is his view of whether the "climate" is favourable for initiating a project. Everything from federal actions with regard to the rate of growth of the economy, to the length of time a municipality takes to issue a building permit, can influence that decision.

In particular, the local or municipal climate can be a major factor in a producer's motivation to undertake a project. For example, in spite of what a private sector producer may see as the practicalities of developing a particular piece of land, he must consider local attitudes towards development. In some instances in Metro, the approval process for major re-zonings has taken up to three years. If land has been assembled, the cost of holding it for such a period of time in itself can act as a strong deterrent to the builder's determination to proceed. The public sector's provision of assisted family housing is even more sensitive to local attitudes. Currently, the perception of potential opposition is such that assisted housing is often no longer even proposed.

2) Pre-Construction

Following a decision to build, a complex set of inter-related activities all take place before construction can begin. These include:

- carrying out a market analysis (eg., deciding what and where to build;
- acquiring land upon which to build;
- obtaining financing;
- designing and obtaining approvals for a project.

These activities rarely take place in an orderly or logical fashion. Rather, the builder must make "seat of the pants" judgments on the potential outcomes of a series of concurrent issues. For example, if re-zoning is necessary, the builder must assess the time required for negotiations in order to estimate the amount of financing he will need and when he will need it. Similarly, the kind of financing he will obtain and the amount of that financing are dependent upon the type of housing that is finally approved.

As government can affect each one of the pre-construction activities independently of the others, it is necessary to discuss each of the activities separately.

The Market: Generally, some indication of the market can be arrived at by examining the existing supply of housing in relation to demand. For example, the federal government (through CMHC) publishes records of vacancy rates in rental apartments, which provide an indication of the degree to which the supply of apartment accommodation is meeting demand. According to these CMHC statistics, the current supply of apartment accommodation in Metro is falling considerably short of demand -- i.e., vacancy rates declined from 3.2% in December, 1971 to 0.9% in December, 1974. In other words, the marketability of apartment accommodation is potentially very high. Similarly, despite the absence of comparable vacancy statistics for other forms of housing, it is generally accepted that the demand for other kinds of housing in Metro is so high that almost any type of housing is potentially marketable.

However, despite this potentially unrestricted high demand for all types of housing, the segment of the market for which a producer actually decides to build is to a large extent predetermined by a number of constraints, the most critical of which is cost. The high cost of land in Metro and the inflating costs of construction and money have created a situation where the cost at which a builder can produce housing severely limits his market. For example, in a report prepared by A. Derkowski on behalf of the Urban Development Institute of Ontario in 1973, it was pointed out that the 1971 average cost of a new detached house on the fringe of Metro (financed with private funds) could be afforded by only 4% of the households in Metro.

The market for new rental accommodation is also limited by cost. In many instances, in order to get a return on investment equal to other investment opportunities, a builder would have to charge unacceptably high rents. The result has been that the construction of new rental accommodation in Metro has virtually come to a halt.

The market for housing in Metro is further complicated by the fact that there is not just one market but many markets. What is acceptable or desirable in the City of Toronto is not necessarily acceptable or desirable

in the Borough of Etobicoke. Consumers have different needs and tastes in both housing location and type. The provision of single-family homes in Mississauga does not assist the low to moderate income family in finding housing in the core of the City of Toronto, where they work.

Another constraint of particular significance to the Metro market is the availability of land suitable for development. Metro is almost completely urbanized and the amount and location of vacant land in itself restrict both the amount and type of housing which can be produced.

According to Metroplan land use statistics, in order to provide enough new housing within Metro to meet Metroplan projected population increases, some significant changes in the pattern and intensity of land use will be necessary.¹ Such changes require municipal and provincial approvals. In today's political climate of changing and conflicting views with respect to the nature and amount of development that is desirable, the producer is constrained by not only what the market for housing is, but also by the type and intensity of development that is attainable.

Historically the housing market was not so constrained. Costs were not so high; there were large quantities of vacant land in Metro to be developed; and opposition to growth was more the exception than the rule. Now that vacant land is becoming scarce in Metro, the pressure for growth is being most strongly felt in the surrounding regions.

One of the tasks of the three new regional governments in the area surrounding Metro is to ensure that services are provided for new housing. However, attitudes and government policies regarding growth are no longer as clear as they were when Metro was formed. Land in the regions of Peel, York and Durham is not being made available for housing at a rate which could ease demand. The effect of this has been to increase further the cost of

¹Metropolitan Toronto Planning Board, Metroplan, Preliminary Impressions of the Urban Structure: To 1971 (1974), p. 67.

land and the cost of housing and thereby further restrict the housing market.

Land: A producer must own or acquire land upon which to build housing. In Metro Toronto, the acquisition of land is one of the most significant aspects of the production process because of its cost. At the present time, land accounts, on an average, for over 50% of the total cost of producing a new single-family home. Multiple housing can reduce the cost of land per unit in high land cost areas, such as the centre of the City, and this higher density housing has in many instances become the only form of housing that is economically feasible.

Government plays a major role in affecting the cost of land as a result of its effect on the way in which land is supplied to the residential market. Land must be serviced before houses can be built on it. The rate at which government makes serviced land available, and the rate at which approvals are given for the development of that land, will affect the supply and cost of land.

Most of the undeveloped land in Metro and the surrounding region has already been acquired by builders. However, since land is often purchased with a small cash investment, the carrying charges for holding land during delays in servicing, or lengthy negotiations regarding approval for development, can form a large part of the end price of a lot.

The cost of land has risen at a more rapid rate than other costs of construction -- materials, labour or money. This has made possible windfall profits through the acquisition and sale of land. Recent provincial legislation, the land speculation tax, was intended to make it unattractive to trade in land. While this tax has probably restricted speculation, the long term effects of the tax are, as yet, difficult to predict.

Other government activities also affect the cost and availability of land. Municipal governments through their zoning by-laws and official plans designate land which is to be used for housing and how much housing can be built on any parcel of land. Land which is designated for higher density housing will

generally be more costly as the potential for profit is greater. Similarly significant municipal investments such as subways, parks, etc., add to the value of land located nearby.

Also, government has become directly involved in the supply and cost of land for housing through public land assembly. Most of this land is used to support other government housing programs. For example, large acreages have been acquired by the provincial government in Malvern and this land is now being developed to a large extent through the province's Home Ownership Made Easy Program. Through this program lots are made available on a leasehold basis to builders, cooperative groups and in some instances individual homeowner applicants. Because this land was purchased some time ago much below current market costs, it is possible to make housing available at far below market cost.¹

Financing: In the same way that a house buyer needs financing to acquire a house, a producer or developer must have financing in order to develop a housing project. This is usually done through mortgages obtained from a variety of sources, including private mortgage companies, life insurance companies, trust companies, banks, and the public agencies, Central Mortgage and Housing Corporation and the Ontario Mortgage Company.

For some developers that wish to invest their money in housing, such as life insurance companies, financing is not a problem. For most builders, however, the cost and availability of mortgage funds can seriously affect their capability and incentive to produce housing.

Interest rates on loans have risen dramatically over the past two years and although there has been some moderation in rates since the beginning of the year, they are still much higher than they have been historically. Further, the availability of funds has been

¹ Housing in Malvern costs from \$21,000 to \$25,000 a unit plus land lease; comparable market housing would range from \$34,000 to \$44,000. This reflects the book value of a Malvern lot which is approximately \$12,000 whereas market value would be somewhere between \$25,000 and \$35,000.

restricted to some degree as a result of the unattractiveness of long term investment in the current inflationary market.

Recognizing the need for a steady and reliable source of funds for housing, the federal government became involved in financing housing as early as 1935. Since then, through its role as banker, the federal government has had a significant impact on housing production throughout the country. For example, between 1954 and 1973, 45% of the almost three million units built in Canada, benefited from financing under the National Housing Act (NHA).¹

At the same time, however, the federal government has made a practice of using housing production as an economic tool to dampen or stimulate the general economy of the country. According to the Ontario Advisory Task Force on Housing Policy, these actions to control general economic fluctuations "...caused mortgage interest rates to rise from approximately 7% to approximately 10% between 1961 and 1970."² In turn, these increases in interest rates have had a significant impact on the capital cost of housing. As estimated by the Ontario Housing Advisory Committee, an increase of 1% in mortgage interest rates is equal to about a 10% increase in the capital cost of shelter.³ This would mean for example, on a house selling for approximately \$40,000, an increase of 1% in the cost of money would be equivalent to an increase of \$4,000 in the actual cost of the housing unit.

Design And Approval: The stage which immediately precedes construction involves the design of the project and the approval of the plans by various levels of government. The trade-offs which take place between public and private objectives during this process are reflected in the pattern and form of housing development

¹ Central Mortgage and Housing Corporation, CMHC and The National Housing Act, (1974), p. 12.

² Ontario Advisory Task Force on Housing Policy, Vol. 1, Working Paper B, (1974), p. 25.

³ Ontario Housing Advisory Committee, Background Report No. 3, The Housing Production Process in Ontario, A Report Prepared For The Ontario Advisory Task Force On Housing Policy, (1973), p. 57.

that is subsequently provided. Such important issues as for whom the housing is being built, at what density, the location and provision of open space and schools, the relationship of the new development to the surrounding community, and environmental considerations such as pollution levels, must be sorted out in the design and approval process before development can proceed.

There are basically three different design and approval processes -- i.e. one for the subdivision of "raw" land, one for development within existing by-laws and one for redevelopment where re-zoning is required. There is very little "raw" land left in Metro, so most new development is either built within existing zoning, or must go through a re-zoning process. The subdivision process is really only applicable in the regions surrounding Metro and in certain small portions of Scarborough.

In the case of new subdivisions, most builders hire planning consultants to prepare plans which meet provincial and municipal requirements and objectives, and at the same time fulfill the requirements of an anticipated market. The consultant works in conjunction with the municipality, the Province and his client to negotiate a solution which will be satisfactory to all parties. It has been estimated that up to 38 different departments and agencies at the provincial level and as many as 20 additional agencies at the municipal level may have to be dealt with concerning requirements and approval.¹

Many of these approvals are not directly related to housing but are issues which flow from housing, such as health and environmental quality. These have been accumulating through the years as public concern regarding such issues has grown. Although some form of approval process is obviously necessary to ensure that objectives are met, this new convoluted and potentially lengthy process often impedes production and increases the cost of new housing.

¹Ontario Housing Advisory Committee, Background Report No. 3, The Housing Production Process in Ontario, A Report Prepared For The Ontario Advisory Task Force On Housing Policy, (1973), p. 21.

If a project is built within existing zoning (eg. use and density criteria), the approval process is relatively simple and rapid. Where demolition of existing buildings is necessary, a demolition permit is required. Otherwise, only a building permit is needed in order for construction to proceed. The building permit simply requires that the design of the building comply with municipal regulations as set out in zoning and building by-laws.

Where re-zoning is required, the municipality has greater leverage. The power to turn down an application for re-zoning is frequently used by municipalities to bargain for such things as more open space, the provision of recreational facilities, etc. While the builder can appeal a negative municipal decision to the Ontario Municipal Board, this process is often time consuming. Consequently, most builders will attempt to meet municipal requirements or alternatively decide not to build.

From the point of view of the producer, the approval process is long and costly. There is no doubt that the production of housing often is held up for long periods of time and in some instances is even stopped. On the other hand, the appropriate regulation of housing development is an important public objective.

3) Construction

There is a large construction industry in the Metro region which produces large numbers of housing units as well as commercial and industrial buildings. Many builders within that industry are primarily involved in residential construction, and a few of them have produced a large proportion of the dwelling units constructed during the last decade.

Construction is undertaken either by an independent contractor, building for a client, or by an owner-builder who does his own construction. In either case, the builder seldom has a large staff of tradesmen. Most builders today are organizers of the construction process rather than "builders" in the traditional sense.

The building industry is highly specialized and a builder must contract with dozens of sub-contractors (plumbers,

electricians, dry-wall contractors, masons, etc.) who in turn are responsible for the work of a large number of skilled and semi-skilled tradesmen. This is further complicated by the fact that most of the tradesmen are unionized by trades, and consequently on every individual job a number of unions could be involved. In addition, materials must be obtained from a host of suppliers. Altogether, this system requires a high degree of organizational skill.

Although the way in which housing is constructed is the same for a private entrepreneur as it is for a public agency, the means of selecting a builder, and the subsequent contractual arrangements frequently are different. Because public agencies have not become owner-builders, they normally arrange for private builders to provide housing for them. In Ontario most public housing has been provided by the Ontario Housing Corporation (OHC). While many of this agency's initial projects were simply purchased from the private sector, most of the housing in its portfolio was built specifically for OHC through either the design and tendering system or the builder proposal call system.

In the design and tendering system, an architect is retained by OHC to prepare a design which is then tendered to builders, one of whom is selected to construct the housing. However, it is the proposal call system which has been the method used most extensively by OHC. Under this system, OHC publicly solicits builders on the basis of a development proposal document which outlines basic requirements in terms of number of units, number of bedrooms, siting, etc. Builders in return make proposals based on the requirements at fixed prices and OHC can then select the most desirable project.

Within Metro, both the design tendering system and the proposal call system have resulted primarily in large housing projects which have become increasingly unpopular with neighbourhood residents. Due to growing and widespread resistance to large concentrations of low-income families, a new approach to provision has been adopted wherein assisted units for families are being integrated with market housing.

Aside from the provision of public housing, government involvement in the construction stage of housing production is primarily regulatory. Inspections, (plumbing,

heating, etc.) to ensure conformity with codes and plans filed for the building permit, are carried out by area municipalities. In some area municipalities, a permit is needed before a building can be occupied. This permit requires that the entire project be completed and in a large housing project where the completion of units is staggered over a long period of time, this can cause significant delays between completion and occupancy of portions of the project. In addition to municipal inspection, the provincial government also has safety regulations concerning construction conditions and the operation of elevators for which inspections are carried out.

4) Operation And Management

In many instances, the operation and management of multiple rental housing remains an on-going responsibility of the developer. Many builders maintain large numbers of rental units, and consequently have specialized management personnel to operate these investment portfolios. This together with government regulations, (such as Ontario's Landlord and Tenant Act) which have been worked out over the years, ensure that most multiple rental housing is reasonably well managed and maintained.

Operation and management are more of an issue in condominium ownership of multiple housing. Although the Condominium Act sets out the terms for private ownership in a communal context, there has been little experience with the operation and management by such a large group of owners. Complicated legal relationships, and in particular, the transition in ownership and management from the builder to the residents have raised serious problems. Some of these problems are being dealt with through adjustments to the legislation, while others are likely to be worked out only through experience.

Government is also directly involved in operation and management through the management of its large stock of public housing. In terms of management, public housing is quite unlike private sector rental housing in that the housing alternatives available to the public housing tenant are minimal or non-existent. Because of this, the public housing tenant has little leverage over management in situations where the

operation and management of a building is found to be unsatisfactory. This, as well as issues related to the shortage of public housing units and current allocation procedures (eg. high concentrations of single-parent families and high children-per-unit densities) have presented serious problems in the management of public housing.

The Ontario Housing Corporation which is responsible for the operation and management of most public housing in Metro, has decentralized some of its management activities in order to deal with some of these problems by providing for a greater degree of tenant involvement in management decisions. Also with OHC's current approach of integrating the provision of housing for low-income families with market housing, the role of the agency in direct management and operation will be considerably reduced.

SUMMARY REVIEW OF GOVERNMENT ACTIVITIES IN THE PRODUCTION PROCESS

The following chart (See Figure 1) provides a summary listing of current government activities that affect the housing production process. The activities are organized according to the level of government which is involved and the stage of the production process at which they take place. The chart identifies three basic types of government activity, i.e. 1) financing; 2) regulatory activities, and 3) direct involvement.

It must be cautioned that this chart is simply a compilation of government involvements and does not reflect the impact of the individual activities. For example, some of the activities listed are having a critical impact on the housing production process, while others involve programs which are inactive or not relevant to major urban centres.¹

Housing production in Metro is clearly affected by all levels of government, and the pattern of involvement by different levels is easily perceived in the chart. The federal government is primarily a financier of housing; municipal or local governments are primarily involved in the regulation of housing development; provincial government activities span all aspects of the housing production process; and the regional levels of government, including Metro, have the least involvement in housing.

To gain an appreciation and understanding of the significance of the involvement of the four levels of government in housing production in Metro, the various activities of each level of government are discussed below according to the three major areas -- financing, regulatory activities and direct involvement.

1) Financing

Government provides financing for housing in two ways -- i.e., loans and subsidies. While government housing subsidies are of great consequence, particularly to

¹One illustration is the NHA program which involves loans for houses to be provided, either to an owner (shown as financing to the consumer) or to a merchant builder (financing to the producer). In 1973, approximately 17,000 loans were made to builders under this program, and one was made to a private owner. (Central Mortgage & Housing Corporation, Canadian Housing Statistics, 1973).

	Financing to the Consumer			Financing to the Producer						Land Availability and Cost				Design and Approval				Construction and Development				Management and Operation		
Federal	• Interest Abatement Grants For New And Existing	• Grant For First Time Home Buyer	• Home Ownership Savings Tax Exemption	• Assisted Home Ownership Program (AHOP)	• Limited Dividend Accelerated Rental Program	• Non-Profit Housing Assistance	• Public Housing (Funding to Province)	• Special Housing Program (eg. Veterans Housing, student housing)	• Development Program (Innovations in Housing)	• Direct Land Assembly Program	• New Communities Program (land assembly and servicing)	• Loans For Municipal Sewage Treatment Projects				• Development Program (Innovations)	• Purchaser Protection	• National Building Code		• Assisted Home Ownership Program (operational subsidy)	• Public Housing (operational subsidy)			
Province		• Grant For First Time Home Buyer		• Home Ownership Made Easy (HOME) • Preferred Lending Program	• Limited Dividend Accelerated Rental Program • Ontario Housing (OHAP)	• Community Sponsored Housing Program (non-profit and rent supplement)	• Integrated Community Housing Program	• Special Housing Program (eg. Student Housing and Homes for the Aged)		• Home Ownership Made Easy (HOME) (land assembly) • Land Assembly Assistance	• Land Assembly For New Communities	• Servicing	• Central Ontario Lakeshore Urban Complex • Parkway Belt	• Land Speculation Tax	• Central Ontario Lakeshore Urban Complex • Review of Official Plan	• Ontario Municipal Board	• Subdivision Approval (up to 15 days, and agencies consulted)	• Fire Regulations	• Construction Safety Regulations	• Assisted Rental Housing (MC low income families and elderly)	• Rent Supplement (operational subsidy) • Public Housing (Assisted Housing) • Landlord and Tenant Act • Condominium Act • Elevator Safety Regulations			
Regions												• Servicing	• Development of Regional Plans		• Regional Plans					• Public Housing (operational subsidy)				
Metropolitan Toronto											• Servicing	• Draft Official Plan		• Draft Official Plan				• Metro Housing Company • Interim Housing Program	• Housing For Transients (Seasonal Housing) • Homes For Aged	• Public Housing (operational subsidy)				
Area Municipalities										• Land Assembly (City of Toronto)	• Servicing	• Official Plan (land use) • Zoning (land use)	• Official Plans (zoning) • Zoning Regulations	• Development Agreements re: Subdivisions	• Building By-laws • Building Permits • Condominium By-Law (Etobicoke and York)		• Inspections re: Building Codes • Occupancy Permits (City of Toronto)	• City Non-Profit Housing Corporation (Toronto)		• Public Housing (operational subsidy)				

Government programs involving subsidies to homeowners or tenants for the purpose of making existing housing accessible to people who could not otherwise afford it, are included in the "Management and Operation" category because they are not directly connected with increasing the production of housing.

Housing Production Policies and Programs

Regulation
Direct Activity

Figure 1

those occupants who directly benefit from the subsidies, the majority of government financial programs are based on loans. Of the two forms of financing the loan programs have had a broader impact and a more pronounced effect over time as they affect considerably more housing units.¹

Loans: Most government loans for housing are provided in the form of mortgages to both the private and public sectors, while other loans are given within the public sector for corollary housing activities such as land assembly, sewers and water treatment facilities. The federal government's investment in mortgage financing has been by far the greatest of any level of government. In fact, as noted by the President of CMHC in 1971...

"Since 1957 the Government of Canada has been the most important single investor in new house building in the country".²

The federal government first became involved in financing housing with the Dominion Housing Act of 1935 which permitted joint government and private sector mortgage funding. The first National Housing Act (NHA) of 1938 continued this joint provision of mortgage loans until the passing of the second NHA in 1944. Under the provisions of this second NHA, the form of federal involvement in mortgage activity was altered and considerably expanded. It now took the form of direct lending through the newly created federal agency, Central Mortgage and Housing Corporation (CMHC), together with a system of insured loans by approved private lenders. The current NHA (1954), provided for an even more accelerated rate of funding through the methods established in 1944.

During this period, 1935 to 1974, the federal government has been directly and indirectly responsible for the investment of almost 22 billion dollars in housing across the country -- approximately 8.5 billion dollars in direct loans and almost 13.5 billion dollars in insured loans through approved lending, resulting in 1,699,905 dwelling starts.³

¹In addition to money loaned directly for housing purposes, there are also inter-governmental loans and grants for services and infrastructure necessary for the provision of housing. These include schools, recreational facilities, sewage treatment facilities, roads, etc. Although these are dealt with in other reports to the Commission and so are not dealt with in any detail here, the significance of servicing to the production of housing should not be underestimated for no housing can be built where there are no services provided.

²Central Mortgage and Housing Corporation, Annual Report, (1971), p.7.

³This calculation is based on information from Central Mortgage and Housing Corporation, Canadian Housing Statistics, 1974.

However, as shown below in Table 1, the extent of federal government involvement in financing has not been consistent over the past thirty years. Involvement increased steadily up to and including 1971 when 145,042 units, or almost two-thirds of the total housing starts in Canada during that year were funded under the provisions of the NHA. Since 1971, there has been a pronounced and steady decline in NHA funding. In 1974, only 46,534 units or a little over one-quarter of the total starts in Canada were funded under the NHA.

TABLE 1: Number of Dwelling Units Funded Under Provisions of the National Housing Act and Dominion Housing Act, 1935-1974 *

Years and Acts	Units
1935-1944 (under D.H.A. of 1935 and N.H.A. of 1938)	26,313
1945-1953 (under NHA of 1944)	214,107
1954-1974 (under NHA of 1954)	1,459,485
Total	1,699,905

* Source: Central Mortgage and Housing Corporation, Canadian Housing Statistics, (1974), p.27.

Until 1968, the type of housing (eg., its physical form, tenure, and the income range of its intended occupants) directly funded by CMHC was not a matter of formal policy and no attempt was made to allocate funds among provinces. For the most part, loans were made simply in response to requests, few of which were for assisted housing. Until 1968 the majority of funds, both directly from CMHC and in the form of insured loans through approved lenders, were invested in housing for middle-income families. However, in 1968, a CMHC policy emphasizing funding for low-income housing began to emerge, accompanied by a major re-allocation of funds among the various CMHC programs. The re-allocation entailed a sharp reduction in funds allocated for market housing even though there was an increase in the overall funds available to CMHC. To fill the gap created by reduced funding for the private sector, the interest rate on insured loans was freed to make this market more attractive to private lenders.

The transition in federal lending policies was rapid. Whereas funds devoted to housing for low-income people under various programs between 1957 and 1967 had averaged only one-seventh of the total CMHC loan and capital commitment for housing, these funds were increased to over a third of the total in 1968. By 1971, they had reached well over three-quarters of the total, and during 1973 and 1974, over 97% of the total units directly funded by CMHC were for low-income groups.

However, while between 1970-73 the proportion of funding for housing for low-income groups had been increasing, continually the total number of units financed directly by CMHC had been decreasing. (See Figure 2) For example, in 1973, the most productive year in the country's history from the viewpoint of housing production, only 29,027 of the record 268,529¹ starts were funded directly by CMHC -- a little over half the number of units which had been directly financed only three years before.

Over the years, the Toronto Census Metropolitan Area has received a substantial proportion of the federal government's total housing investments. Between 1954 and 1974, a total of 86,673² units were directly funded by CMHC, the largest number in any urban centre in the country. Of these 86,673 units directly funded by CMHC, over 60,000 were classified as "aids to low income groups".³ Over half of these were developed as public housing (dwellings for rent-geared-to-income occupancy).

In the last few years, the pattern of federal funding within the Metro region has been similar to the pattern of funding on a national scale. Since 1972, both CMHC direct funding and NHA approved loans have decreased, dramatically so in the last year. This is illustrated in Figure 3.

¹ Central Mortgage and Housing Corporation, Canadian Housing Statistics, (1974), p. 14.

² Ibid, p.54.

³ As defined in Central Mortgage and Housing Corporation, Canadian Housing Statistics, (1974), p.94, dwellings financed under NHA through aid to low income groups "...include rental dwelling starts in entrepreneur, non-profit, public housing, Federal-Provincial partnership, student housing, assisted home-ownership, co-operatives and the low income housing programme financed under Sections 58 and 59".

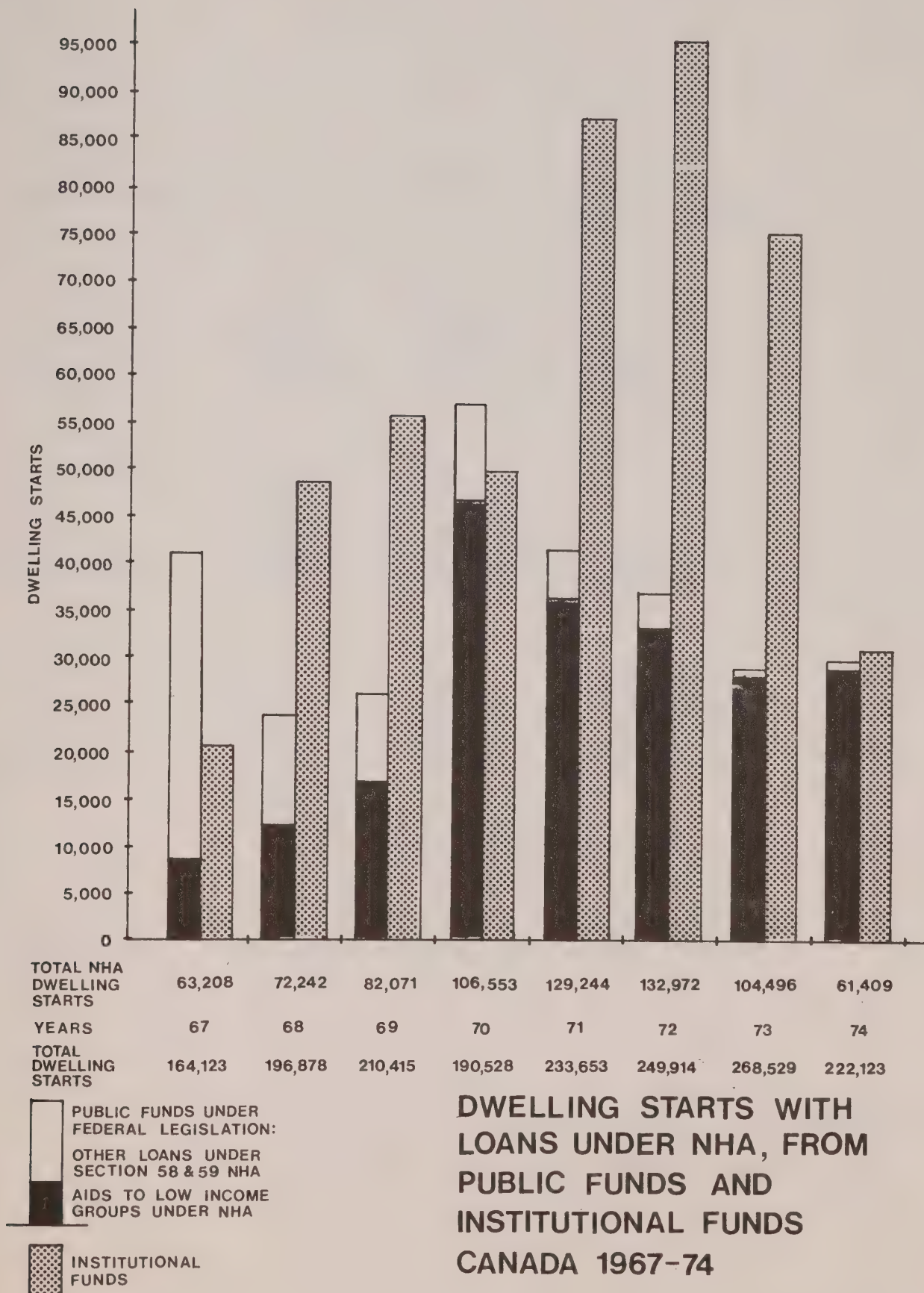
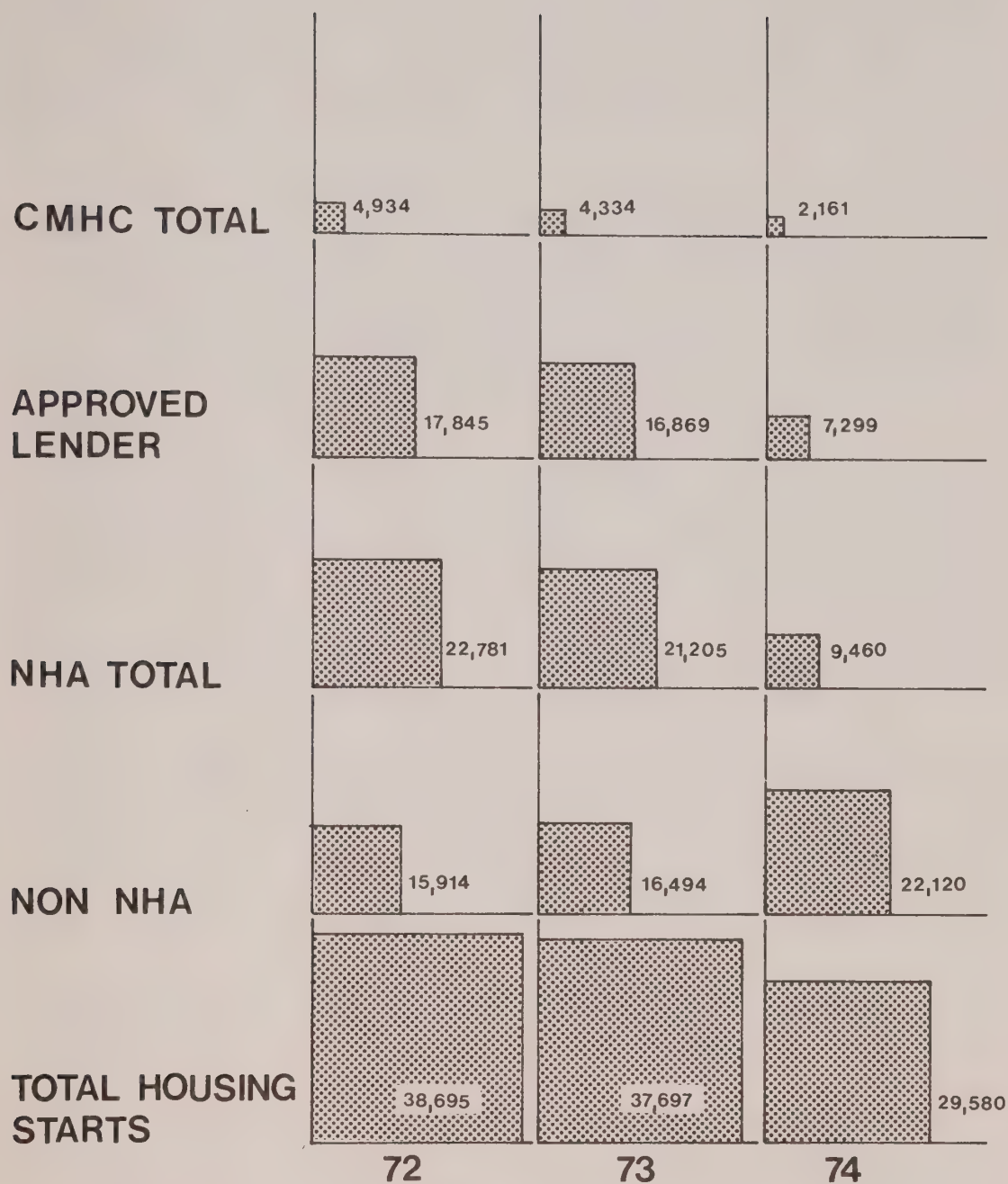


FIGURE : 2



HOUSING STARTS IN TORONTO
CENSUS METRO AREA
ACCORDING TO TYPE OF
FINANCING 1972-1974

In addition to developing definite policies over the past few years concerning the direction of funds to specific income groups, the federal government has in recent years begun to influence the form and tenure of new housing being produced.¹ A good illustration is the current Accelerated Rental Program. Under this program the federal government is promoting the production of rental housing in reaction to current shortages.

This new emphasis on rental housing through the Accelerated Rental Program, together with the Assisted Home Ownership Program (AHOP), which is being utilized within Metro for condominium housing, also illustrate a change in priority to middle-income housing, apparently at the expense of programs for low-income housing even though there is some provision for rent supplement units in the Accelerated Rental Program.

This rapid change in federal priorities has created some difficulties for both the provincial and local agencies who had developed programs based on earlier priorities. For example, it appears that it will be difficult for Metro to provide its targeted amount of senior citizen housing for 1975. Also, the City of Toronto's ability to continue its program for land banking, and thus ultimately the amount of housing it will be able to produce, likely will be affected similarly.

The provincial government has also been involved for some time in lending money for housing, albeit on a considerably smaller scale than the federal government. The province's first lending agency, the Housing Corporation Limited (HCL), was established in 1948 and operated under the Office of the Treasurer until 1959 when it became the responsibility of the Ontario Housing Corporation (OHC).

Initially, OHC used HCL as a means of fostering condominium housing development in Ontario, particularly in Metropolitan Toronto. In 1970 alone, it committed

¹ During the first two decades of federal involvement in mortgage financing, most funds (both direct and indirect) were directed toward the construction of owner-occupied single-detached dwellings in suburban areas. However, as urbanization proceeded, an increasing proportion of funds were devoted to multiple rental housing. For example, in 1954, 74% of all dwelling units funded under the NHA were single-detached dwellings, whereas by 1967 this percentage had dropped to 41%. As previously noted, these trends were a reflection of the kind of housing being built at the time as opposed to specific policies.

over \$190 million for the construction of over 10,000 condominium units across Ontario, and by the end of that year had become "...the largest single lender of mortgage money for condominium homes in Canada."¹ In 1970, the mortgage activities of HCL were extended to include single and semi-detached houses under the Home Ownership Made Easy (HOME) program.

The Ontario Mortgage Corporation (OMC) was established in 1974 under the new Ministry of Housing and assumed the mortgage portfolio of HCL. The Ministry has indicated that its purpose in establishing OMC was to extend direct assistance in mortgage financing. OMC has continued to fund under the programs established by its predecessor and this year has expanded its funding through a new limited dividend housing program which is complementary to the federal Accelerated Rental Program.

Although the Province has not been a major investor in housing historically, in the last few years its activities have been accelerating at the same time as federal involvement has been decreasing. It has been suggested in a City of Toronto housing report² that provincial funding for housing in 1975 may exceed federal government funding in Ontario for the first time.

In recent years, the province has indicated a willingness to initiate new programs quickly as required, and to back them up with sizeable sums of money. However, the amount of money available to the province for housing purposes is limited and the effectiveness of provincial programs is dependent upon the complementary nature of federal government and private financing activity. In recognition of this, the province has noted the need for a "partnership" in housing matters between all levels of government and the private sector.

Subsidies: While most of the housing programs of the federal and provincial governments are based on full-recovery loans, some programs do involve a public underwriting or subsidy of part of the cost of acquisition or operation. One such program is the federal Non-Profit Housing Program. This program provides for a 10%

¹ Ontario Housing Corporation, Annual Report, (1970), p.

² City of Toronto Housing Department, Progress Report, (1974) p.28.

forgiveness of capital cost¹ as well as a start-up grant in some instances. In addition, there are further grants from the provincial government amounting to another 10% of the capital cost in return for meeting specific requirements (eg. offering 25% of units for rent supplement).

The major government cost in housing is the subsidization of rent-g geared-to-income housing. The federal government, through CMHC, pays half of the operating deficit for all such housing in the country. In 1973, these federal subsidies amounted to 68.5 million dollars covering approximately 101,900 units or a little over \$670 per unit. The remaining 50% of the operating deficit is shared between the provinces and municipalities in which the housing is located. In 1973, OHC's share of the subsidies totalled almost 28 million dollars. Despite the considerable difference between the subsidies paid by the federal government and the province, it is important to point out that whereas the federal government, through CMHC, is able to offset its entire housing subsidy through income earned on its mortgages, at present the province's share of the subsidy is paid for out of its general revenues.

In summary, it is clear that total government involvement in the area of finance is profound. This has been demonstrated in terms of both the number of units produced with government financing, and more recently in terms of how financing has been used to effect the form, type, cost and tenure of housing. Clearly, government financing of housing can be a powerful and effective method of implementing a housing policy.

2) Development Control Policies and Regulations

A second major area of government activity is in the regulation of housing development, i.e. the location, form, density of new development and redevelopment. The regulation of housing development is complicated by the fact that it is an integral part of a broader planning process. Planning instruments, such as local official plans and zoning by-laws, as well as provincial regional development plans, provide the regulatory framework for housing development as well as other types of development. While an analysis of planning

¹This amounts to a 10% grant of the total of the project -- including land costs, building costs, and all design and other fees necessary to get a building constructed.

is being developed in a separate background report to this Commission, some reference to planning issues is necessary here in order to indicate the extent of inter-dependence between planning and housing.

In 1954, in order to deal effectively with growing urbanization in the Toronto area, the province set up a two tier system of metropolitan government in the Toronto area. The Municipality of Metropolitan Toronto was given the responsibility for area wide matters including the provision of major hard services (and somewhat later, soft services) as well as overall planning, while the area municipalities retained direct control and regulation of land use and development through official plans, zoning by-laws, plans of sub-division and building by-laws.

Through these development control powers, the local or area municipalities within Metro have control over the amount and location of land available for residential development and the form, type and density of housing that is built on this land. One of the concerns expressed by municipalities regarding growth has been the financial burden of new housing. This has resulted in some instances, in significant imposts for municipal services which increase the cost of housing to the consumer. In other instances, municipalities have discouraged new housing, particularly, smaller housing units which result in lower municipal revenue because of lower assessments.

Further, local attitudes towards growth and development influence the way in which controls are administered. This has become increasingly evident during the past three or four years, particularly in the City of Toronto, as public participation in the planning and development approval processes has contributed significantly to delays in the approval of many residential development proposals and consequently to a general reluctance on the part of developers to build.

Although most local planning and development control policies are developed and implemented at the municipal level under the provisions of The Planning Act, the final authority and/or responsibility for planning and development control rests with the province through the Minister of Housing, the Ontario Municipal Board (OMB) and ultimately the Cabinet. In Metro, for example, the OMB has in a number of instances, reversed municipal decisions and the Cabinet itself has directly intervened on some major issues. Thus the extent of local regulatory power is directly related to the extent to which the province wishes to intervene in the local planning process.

¹ John Bousfield Associates and Comay Planning Consultants, The Planning Process in Metropolitan Toronto, The Royal Commission on Metropolitan Toronto, 1975

In establishing the current metropolitan form of government, the province enabled rapid growth to take place efficiently and within a workable framework for a period of about twenty years. However, in the last few years, as land available for development within Metro has diminished, and a greater proportion of development has begun to take place outside Metro boundaries, the Province has again begun to intervene in overall planning for the region. Towards this end, it has undertaken regional transportation studies, including the Metropolitan Toronto and Regional Transportation Study and the recently completed Soberman report (The Metropolitan Toronto Transportation Plan Review), undertaken jointly with Metro. Also, it has carried out a series of planning studies including Design for Development: The Toronto Centred Region, 1970, which established some general principles for development in the region. Design for Development: Phase II, which was published in 1972, tied the regional government program firmly to the regional development program and expanded the TCR into the Central Ontario Region (one of five planning regions in the province).

By January of 1974, the Province had established a series of regional governments in the area surrounding Metro, including Durham to the east, York to the north and Peel to the west. Unlike Metro, these regional governments have been established at a time when the rate and pressure for growth is of such magnitude that logical and orderly planning is difficult to achieve quickly with the limited resources available at the regional level.

The most recent provincial study of development in the Central Ontario Region is the report of the Central Ontario Lakeshore Urban Complex (COLUC) Task Force. In this report it is pointed out that...

Each regional municipality is an independent planning area under The Planning Act and each will produce an official plan for the area of its jurisdiction.¹

However, the ability of these regions to plan independently, assumes the existence of an overall strategy for the central Ontario Region and as the COLUC report identifies, such "...overall regional planning strategies

¹COLUC Task Force Report, (December, 1974), p. 2.

are still the responsibility of the province."¹ The Province has not yet formally adopted such an overall planning strategy for the Central Ontario Region, which would provide adequate guidance for the planning activities of regional municipalities and Metro.

At the present time, Metropolitan Toronto and the three surrounding regional municipalities are in the process of developing official plans, and many of the area municipalities in Metro and the three regions are involved in a re-examination of existing official plan policies and development strategies. However, as long as the major strategic issues of the amount and type of growth to be apportioned within the region remains unsettled -- i.e. in the absence of any official development strategy for the Region -- the ability of the municipalities (local and regional) to plan, and to implement such plans with appropriate programs, is seriously hampered.

The absence of adequate provincial planning policy has similarly constrained or hampered the efforts of the Ministry of Housing in implementing its emerging housing programs in the Metro area. For example, although the COLUC report identified housing as a key to the implementation of its proposed long-term planning strategy, conflicts between the efforts of the Ministry's Ontario Housing Action Program (OHAP) designed to meet short-term housing needs and the longer term COLUC planning strategy are occurring. This is because serviced land is not necessarily available in locations consistent with the COLUC strategy, and in some instances, serviceable land that is readily available, is located in areas where the COLUC strategy would restrain growth.

At the same time as the Ministry of Housing is developing housing programs and strategies, housing policies at the local and regional levels are beginning to evolve which could extend the development control powers of local governments to include the ability to determine to some extent the household types and income groups for which housing is produced. The City of Toronto has been an innovator in local housing policy development in this respect. In 1973, it adopted an interim housing

¹ COLUC Task Force Report, (December, 1974), p.2.

policy,¹ established a Housing Department, and sponsored a non-profit housing corporation. The City is now vigorously involved in acquiring and building housing, as well as in land banking for future development. While the five boroughs are in varying stages of developing their own housing policies, Metropolitan Toronto has recently adopted an interim housing policy, in which it is proposed that a housing policy form an integral part of its official plan, which is scheduled for adoption in 1976.

The way in which government regulates the provision of new housing involves even more than the establishment of planning strategies and development controls. New development also involves other related activities of government at all levels, from the provision of trunk sewers to the provision of schools and local parks. An overall planning strategy is a necessary and effective vehicle for co-ordinating this series of interrelated activities. The lack of an overall strategy not only restrains development but delays the provision of services which can delay development for several years.

¹City of Toronto Housing Work Group, Living Room, 1973.

3) Direct Involvement

In addition to indirect government activities which affect housing, there are also a series of direct involvements by government in housing. Two of these direct activities are considered in this section -- i.e. the provision of assisted housing and the assembly of land.

Assisted Housing: The right to decent housing has been acknowledged for some time by government. The first major intervention of government in this regard took the form of direct provision of housing for low-income households or those least capable of affording market housing. Over the last two decades, about 37,000 units of such housing have been provided in Metro, of which over 28,000 are for families and over 8,000 are for senior citizens. In contrast, there are less than 700 family units and just under 1,900 units for senior citizens within the Toronto Census Metropolitan Area outside of Metropolitan Toronto proper.

Regent Park North in the east central part of the City of Toronto was the first public housing project in the country. It consists of 1,397 housing units for families and was completed in the early 1950's by the Housing Authority of Toronto. This Authority continued to provide housing, and when the Municipality of Metropolitan Toronto was established it too entered the housing field. The Metropolitan Toronto Housing Company Limited (MTHCL) was established in 1954 to provide housing for senior citizens (and specialized housing such as homes for the aged). In 1955, the Metropolitan Toronto Housing Authority was established and was charged with the responsibility of developing a Metro-wide public housing program. A series of projects were undertaken, including Lawrence Heights in North York and Regent Park South in the City of Toronto. These and subsequent projects were developed under the federal-provincial partnership provisions of the National Housing Act (NHA).

In 1964, changes in NHA financing made it feasible for the province to enter the housing production field. In that year, the Ontario Housing Corporation (OHC) was established with the expressed intention of ensuring...

"...that the opportunity to enjoy good accommodation ranks with the opportunity to enjoy economic stability, good

education and all the other advantages we take for granted. In housing we will not segregate our citizens into 'haves' and 'have-nots'."1

OHC rapidly organized to provide housing at an unprecedented rate. Within a few years of its establishment, it took over all the family public housing within Metro (although Metro retained responsibility for providing senior citizen housing through MTHCL) and undertook a program of both acquisition of existing housing from the private sector and the construction of new housing.

Although a number of local and provincial agencies have been responsible for the provision of public housing, as discussed earlier, the financial role of the federal government has been crucial in enabling such housing to be provided. In fact all housing for low-income groups has been funded fully or partially by CMHC under various provisions of the NHA and the federal government continues to subsidize one-half of all operating deficits.

Metro's role in the provision of assisted housing is also of interest. Besides the federal government, Metro is the only other level of government which has been continuously involved in the provision of public housing in Metro for the past 20 years, although this involvement has changed throughout the two decades.

As previously noted, Metro had formed agencies to provide both senior citizen and family public housing shortly after it was formed. As early as 1958, Metro also established an Interim Housing Committee which set annual production targets for public housing. When OHC took over the responsibility for the provision and operation of family public housing in Metro, Metro retained the responsibility for setting targets. This responsibility was critical, as OHC has not made a practice of providing public housing other than at the request of a municipality.

The Interim Housing Committee had established an annual production target of 1,500 units -- 1,000 units for families and 500 for senior citizens. Although these

1 OHC Annual Report, 1966, p.17.

were in effect from 1959 to 1963, actual production fell far short and need increased. Following the formation of OHC, a housing needs study was commissioned jointly by Metro, OHC and CMHC and based on the results Metro set new targets which requested OHC to provide 3,500 units per year. This was increased in 1970 to 4,000 units per year. In response to these requests OHC provided housing at a rate which closely approximated the targets and even exceeded them in 1967 and 1973.

Resistance to family public housing began virtually with the provision of public housing. At the time that the Metro Toronto Housing Authority was developing Lawrence Heights in the late 1950's, concerns were expressed by North York councillors about the potential financial burdens of providing education, recreation, social and health facilities for such a large public housing project. As the stock of family public housing grew so did resistance, and by 1974 opposition was so great that family public housing completions had fallen to less than half the target. In addition, in spite of a waiting list of 8,000, only 57 new units were proposed in that year. It should be noted that while there is considerable resistance to family public housing, there has been virtually no objection to the public provision of housing for senior citizens, and this provision is continuing.

Since Metro Council is made up of representatives of the area municipalities, its ability to promote public housing is dependent upon the willingness of constituent municipalities to accept public housing within their boundaries. The extent of the current resistance is reflected in the Metro Interim Housing Policy which was adopted this year. This policy incorporates the objective "...that all persons or families regardless of income, have access to adequate shelter at a reasonable cost" and goes on to propose that "Metro focus primarily on the production of low and moderate income housing..."¹ The policy statement recommends that Metro's former target of 4,000 units a year for low income housing be changed to 6,600 units a year of assisted housing for low and moderate income (up to \$13,000) households. This includes 1,800-2,200 units of senior citizen housing. The proportion of housing for low-income households is not defined but

¹ Metro Toronto Interim Housing Policy, Report No. 3 of the Metro Executive Committee, p. 12.

the amount of housing targetted for low-income families will likely be significantly reduced.¹

While Metro's ability to achieve the provision of low-income housing has become increasingly constrained, the City of Toronto has re-established initiative in this area. It has formed a non-profit housing corporation for the purpose of providing housing for a range of income groups, including low-income families, which are to be accommodated within this housing through existing rent supplement programs.

This approach of integrating low-income housing into housing for a broader range of income groups was introduced by the federal government a few years ago as an alternative to conventional public housing programs which were no longer producing an adequate number of units. Initially, rent supplements were offered to private landlords for units to be made available to low-income families and most of the 1,500 units in OHC's current rent supplement portfolio for Metro were obtained in this way.

More recently, this approach has been incorporated into a variety of government programs aimed at stimulating the production of housing. These include the federal Non-Profit Housing and Accelerated Rental Housing Programs, and the provincial Integrated Community Housing Program. While it is anticipated that an increasing number of units for low-income households will be made available through these additional programs, the amount of housing currently being made available to low-income households is most inadequate and immediate prospects appear bleak.

It is not known if a sufficient number of housing units for low-income households can be made available through the new integrated approach to meet the growing needs of this income group. Current funding priorities, as noted earlier, suggest that it is unlikely.

¹For example, if low-income housing is provided through the rent supplement program, then a maximum of 25% of the family housing or no more than 1,200 units could be provided. This would be a reduction to less than a third of the previous target.

Land Assembly: Since land is such a significant factor in the provision of new housing, the activities of government with respect to land are of particular consequence. The major governmental activity with respect to land is, of course, the regulation of its use. However, governments have also been involved and are becoming increasingly involved in the actual acquisition of land.

Most of the land assembly activities of the various levels of government have been and are currently funded under the provisions of the National Housing Act.¹ As described in a recent CMHC publication, the purpose of public land assembly is...

"...to increase the supply of reasonably priced building lots and enable local governments to participate more effectively in planning their growth..."²

In Ontario 19,555 acres of land were acquired between 1950 and 1973 under the partnership arrangement and a further 1,000 acres were financed under the loan arrangement. Most of this land was acquired by the Ontario Housing Corporation. Within Metro, the major land assemblies have included Lawrence Heights, Thistle-town, Edgley and Malvern. Of these, only in the Malvern assembly is there still any quantity of land available for new housing. In addition, the province is currently engaged in a major land assembly of some 25,000 acres for the new community of North Pickering just outside of Metro.

Ontario's purpose in its land assembly activities, as stated in Housing Ontario/1974 is to provide....

"...an orderly flow of land onto the market over the short and long term period, thus facilitating the Province's housing programs, influencing community and

¹The public assembly of land is provided for under Section 40 of the NHA, through a federal/provincial partnership arrangement, or under Section 42, through a loan arrangement.

²Central Mortgage and Housing Corporation, CMHC and the National Housing Act, (1974), p. 16.

land use planning, and stabilizing lot prices."¹

The City of Toronto also has commenced land banking, with the assistance of federal funding, for the St. Lawrence project within the core of the City, and recent amendments to the NHA now permit the federal government to directly enter into land banking as well.

At the same time as government funding and direct activity in land assembly has effectively carried out the stated objectives, it has also raised some conflicts. One is the impact of land assembly by senior levels of government on local planning. Since land assembly must be undertaken in secret in order to avoid speculation, municipalities are given little or no opportunity to comment on the selection of sites as they relate to local planning and development priorities. This of course is not the case when local governments are funded to undertake land assembly programs themselves.

A second issue is whether government is competing with the private sector for the same land or providing land in addition to what the marketplace would normally provide. If government is indeed competing for the same land then there is reason to suspect that the removal of land from the normal market simply aggravates the scarcity and cost of land. Thus, in spite of the benefits of government land banking, there is at least some question as to whether land banking is, in balance, a beneficial public activity.

It should be borne in mind that the entry of government into the field of land assembly was certainly motivated by the inability of the market to supply at a reasonable cost the amount of land needed for housing. The extent to which this was a failure of government servicing policies has been another contentious issue.

In any case, governments appear firmly committed to a major role in the assembly of land and such a commitment in combination with the potential impact of the

¹ Ontario Ministry of Housing, Housing Ontario/1974, (May 1974), p. 27.

land speculation tax could in the long run have a major impact on the cost and availability of land.

Some questions however, remain about the direction land assembly programs will take. To what extent is government interested in providing land at, or below cost, in order to reduce the cost of housing? Alternatively, does government prefer to provide land at market cost in order to utilize the income generated by its sale to further its own land aquisition program? To what extent is government concerned about disturbing the private land market? As these questions indicate, land banking can obviously be implemented in a variety of ways. The direction government selects will be of some consequence to the overall effectiveness of land banking in influencing the cost and supply of housing.

HOUSING PRODUCTION: 1952-1974

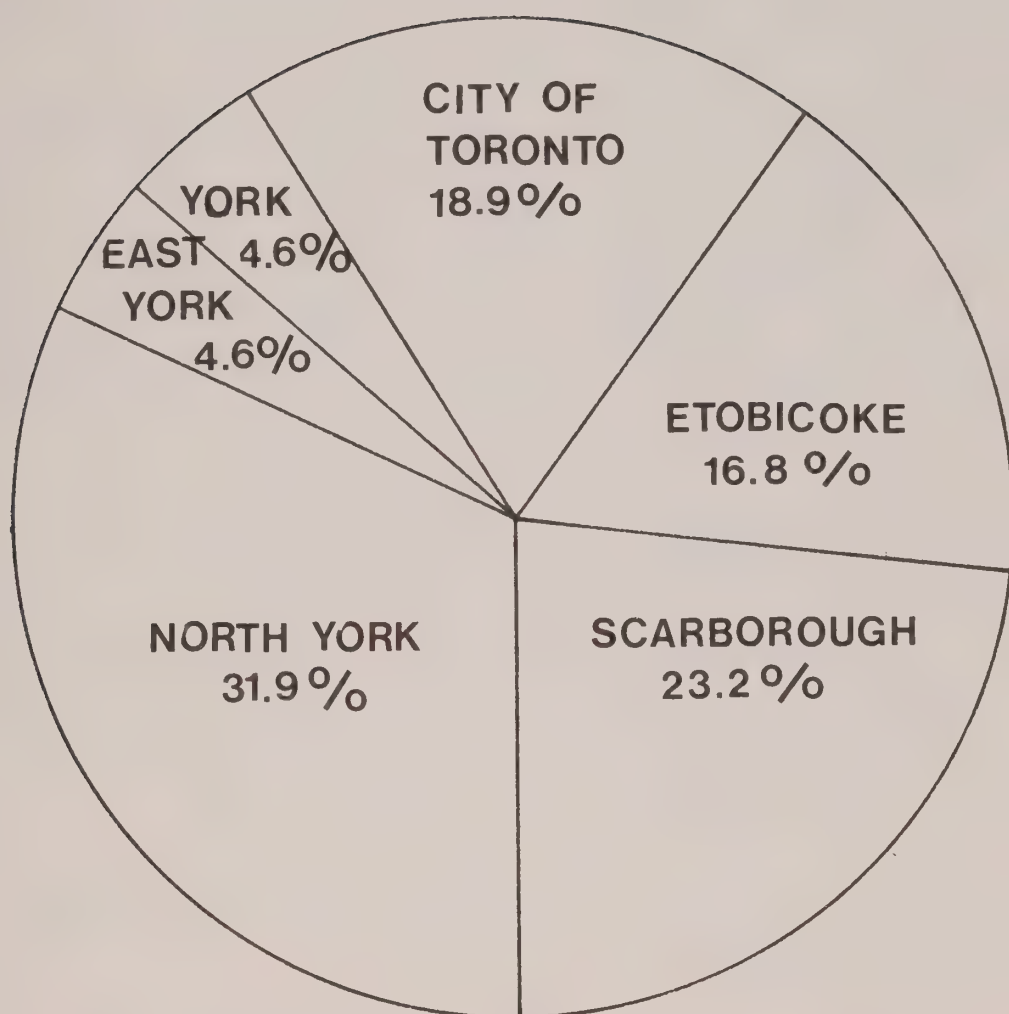
Between 1952 and 1974, almost half a million (438,541) new dwelling units were produced in Metropolitan Toronto, more than double the total number of units that existed prior to that time. As indicated in Figures 4 (a) and (b)¹, over 90% of these units were built in the City of Toronto (18.9%) and the Boroughs of North York (31.9%), Etobicoke (16.8%) and Scarborough (23.2%), while comparatively little development occurred in the Boroughs of York and East York.

While 60.5% of all dwelling units completed in Metropolitan Toronto between 1952 and 1974 were apartments (the remainder being single-detached, semi-detached, duplex or rowhouse dwellings), it is important to note that these proportions have not been constant over the 23 year period. In fact, apartment type dwelling units have constituted a continually increasing proportion of all dwelling units completions from a low of 35.6% of all units completed between 1952-1956 to 75.5% of all units completed between 1972-1974, (See Figure 5(a)).

As Figure 5 (a) shows, the mix of housing types produced has varied considerably among the six area municipalities of Metro. For example, during the period 1952-1974, over 90% of all units built in the City of Toronto and in the Borough of East York were apartments, while less than half of the dwelling units produced in the Boroughs of Etobicoke and Scarborough were apartments.

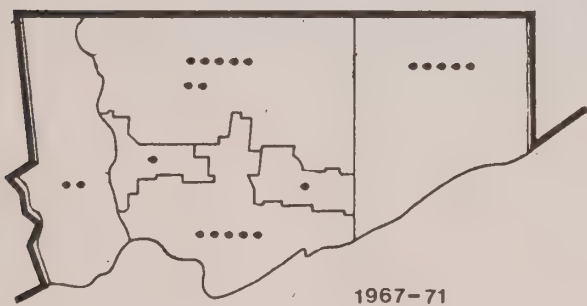
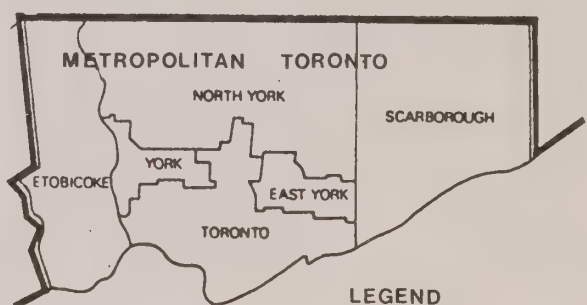
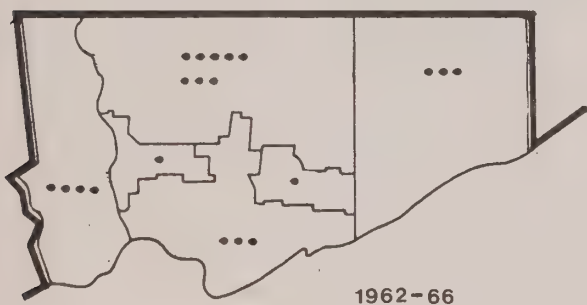
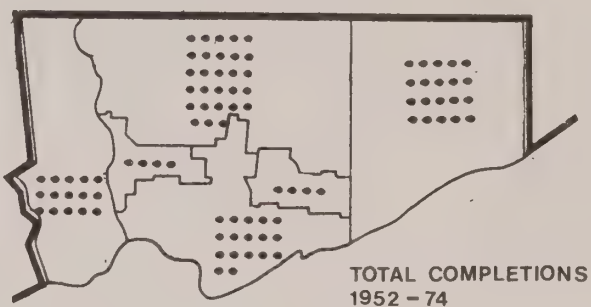
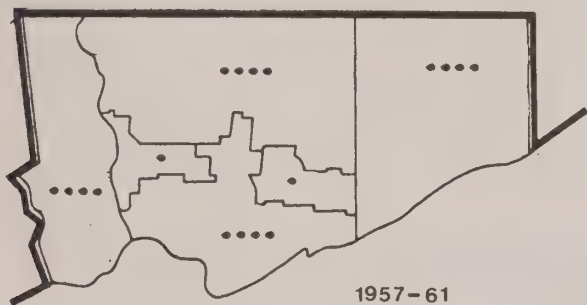
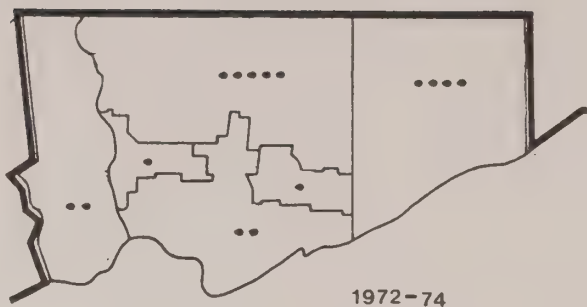
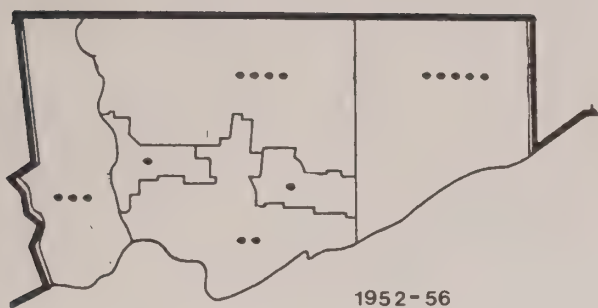
It is interesting to note the number and type of dwelling units completed from 1962-1974 outside the Municipality of Metropolitan Toronto within the Census Metropolitan Area. (See Figure 6) During this 13 year period, a total of 147,048 dwelling units or approximately one third of all housing produced in the Toronto Census Metropolitan Area during that time, were produced outside Metro. Of these units, approximately half were apartments and the other half were single-detached, duplex or rowhouse dwellings. Whereas in Metropolitan Toronto the proportion of unit completions that were apartments rose considerably in the periods 1962-1966 and 1967-1971, in areas outside of Metro the proportion of apartments remained relatively constant and did not show a marked increase until 1972.

¹Sources for data are noted on each Figure.



**DISTRIBUTION OF TOTAL
RESIDENTIAL DEVELOPMENT
IN METRO**

BY AREA MUNICIPALITIES SINCE 1952
DWELLING UNIT COMPLETIONS 1952-1974

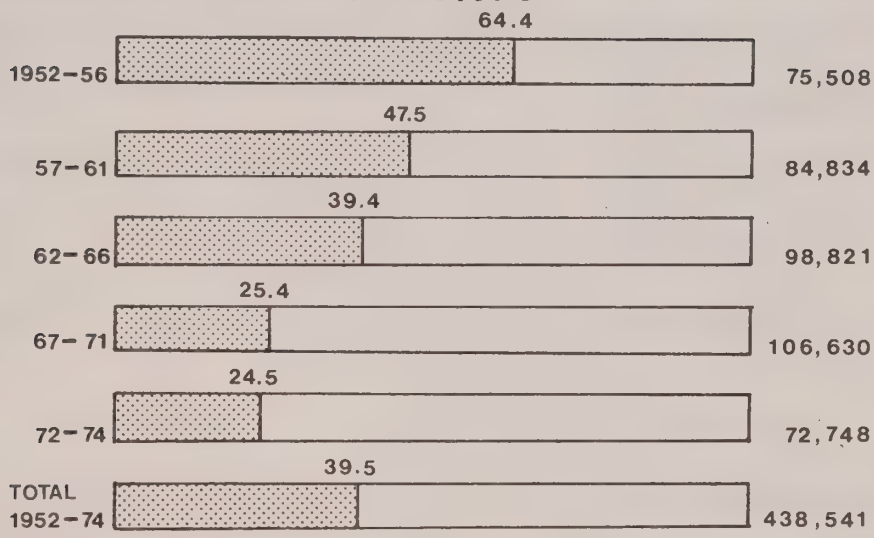


• EACH DOT REPRESENTS 5,000
DWELLING UNIT COMPLETIONS

PATTERN OF DEVELOPMENT IN METRO SINCE 1952

DWELLING UNIT COMPLETIONS 1952 - 74

METROPOLITAN TORONTO



LEGEND:

60%

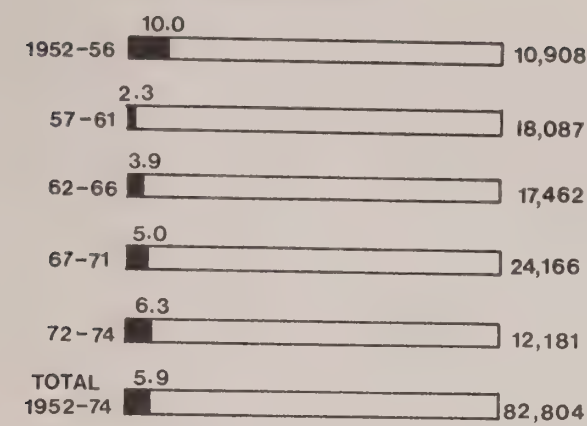
10,000

SINGLE DETACHED APARTMENTS
SEMI DETACHED TOTAL
ROW NUMBER
 OF UNITS

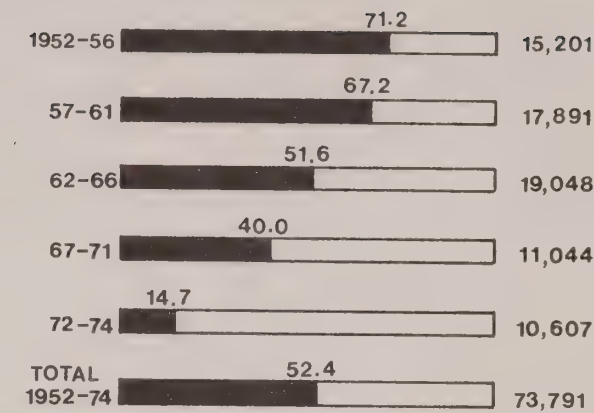
HOUSING PRODUCTION IN
METRO SINCE 1952

ACCORDING TO UNIT TYPE
DWELLING UNIT COMPLETIONS 1952-1974

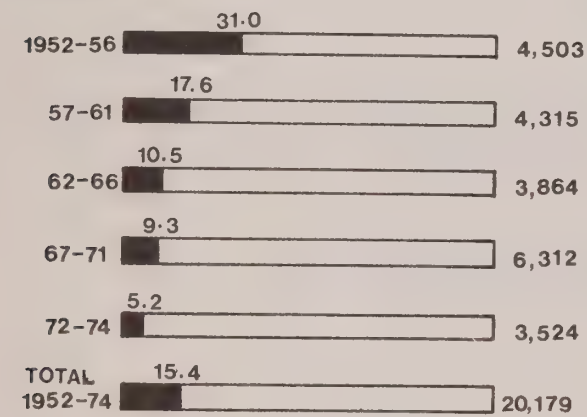
CITY OF TORONTO



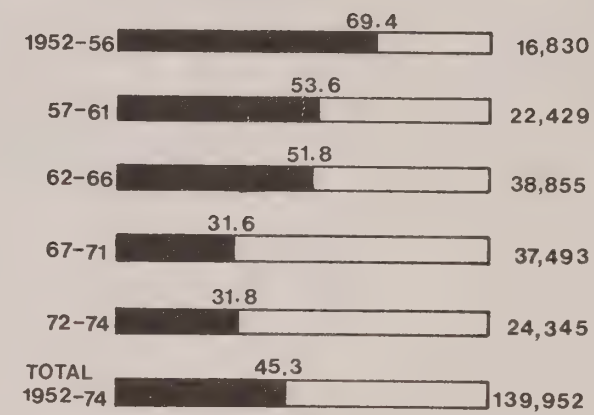
ETOBICOKE



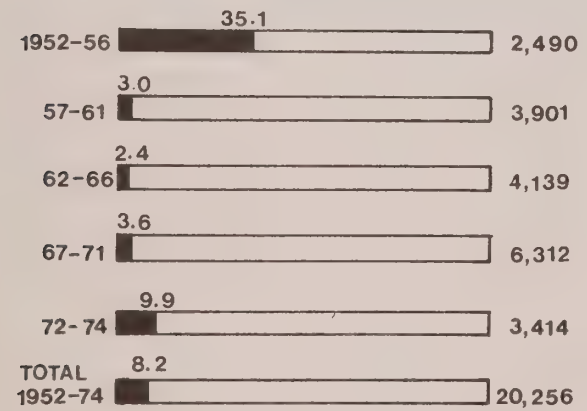
YORK



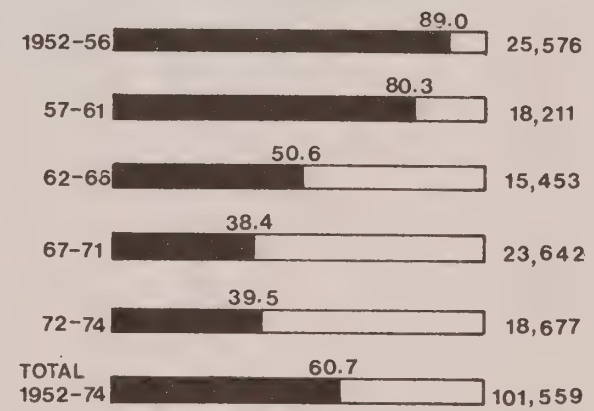
NORTH YORK



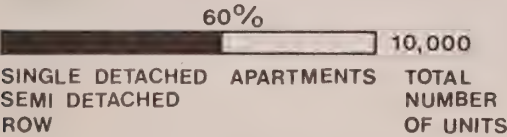
EAST YORK



SCARBOROUGH

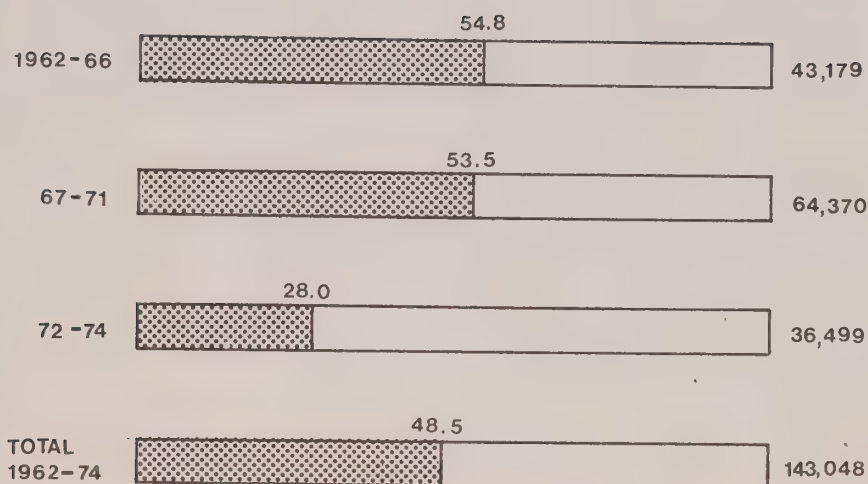


LEGEND:

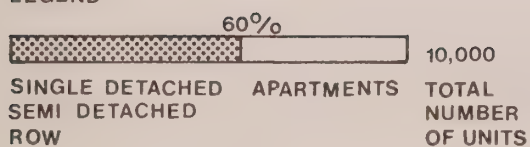


HOUSING PRODUCTION IN METRO SINCE 1952

ACCORDING TO UNIT TYPE
DWELLING UNIT COMPLETIONS 1952-1974



LEGEND :



HOUSING PRODUCTION IN SURROUNDING REGION^x SINCE 1962

ACCORDING TO UNIT TYPE
DWELLING UNIT COMPLETIONS 1962-1974

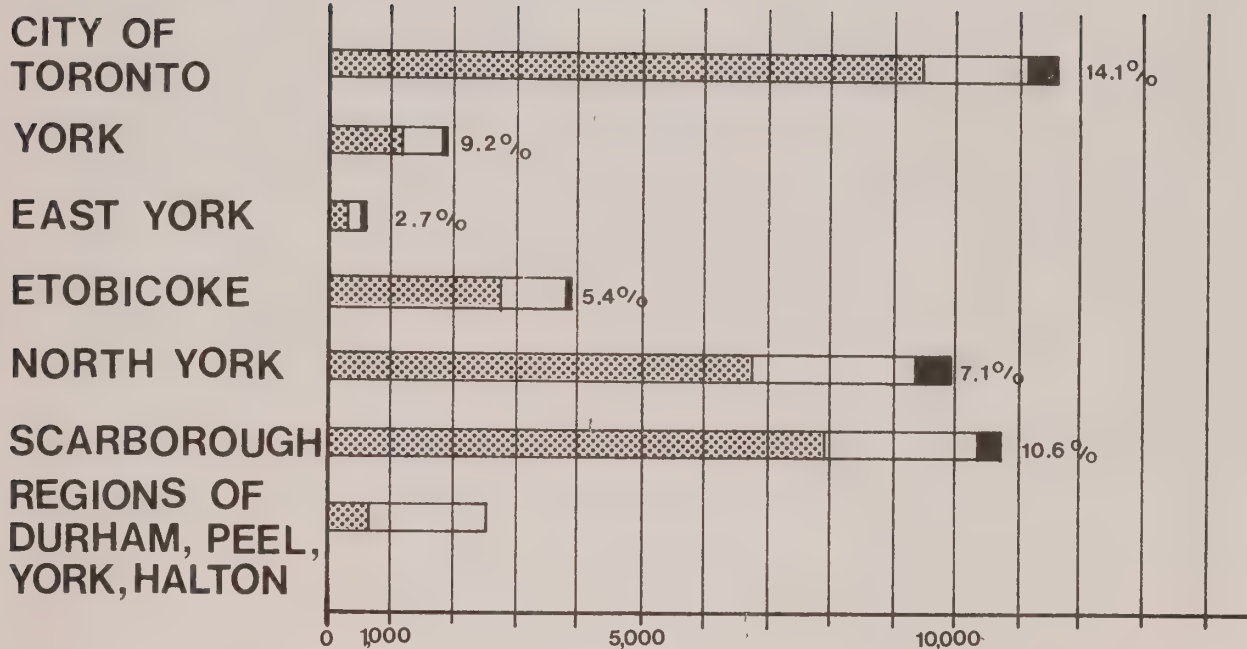
^x REGION IS THE CENSUS METRO AREA
WITH METRO OMITTED

As previously noted, most of the housing that exists in Metropolitan Toronto, as in other parts of the country, was produced by the private sector for sale or rental on the open market. For example, between 1952 and 1974, only 8.5% of all dwelling units completed in Metropolitan Toronto were produced by governments for rent-geared-to-income occupancy -- i.e. 6.5% for families and 2.0% for senior citizens.¹ As illustrated in Figure 7, public housing (including rent supplement units) as a percentage of all dwelling unit completions between 1952 and 1974, was highest in the City of Toronto (14.1%) and the Borough of Scarborough (10.6%), and lowest in the Boroughs of East York (2.7%) and Etobicoke (5.4%).

In comparison with Metro, public housing production in the Regional Municipalities of Durham, Peel, York and Halton has been minimal. Only 2,544 public housing units (661 for families and 1,883 for senior citizens) were produced in the four regions combined between 1952 and 1974.

¹ This does not include those units which have been privately produced and made available to public agencies under rent supplement agreements. In 1974, there were just over 1,500 of such units in Metro. (See Figure 5)




As of 1974, public housing units constituted approximately 5% of all occupied dwellings in Metropolitan Toronto.



METRO TORONTO

FAMILY	28,473	6.5%
SENIOR CITIZENS	8,659	2.0%
RENT SUPPLEMENT	1,518	0.4%
TOTAL	38,650	8.9%

LEGEND

-  FAMILY
-  SENIOR CITIZENS
-  RENT SUPPLEMENT

10% PERCENT OF TOTAL COMPLETION

PUBLIC HOUSING PRODUCED IN METRO AND REGION SINCE 1952

ACCORDING TO TYPE OF UNIT:
DWELLING UNIT COMPLETIONS 1952-1974

PART 2: THE CONSERVATION OF EXISTING HOUSING

This part of the report examines the conservation of existing housing under three major headings. The first section is a description of the characteristics of the existing housing stock in Metropolitan Toronto. The second section describes four major aspects of conservation and the influences of government upon each. The final section summarizes government activities in the conservation of housing.

DESCRIPTION OF THE EXISTING STOCK

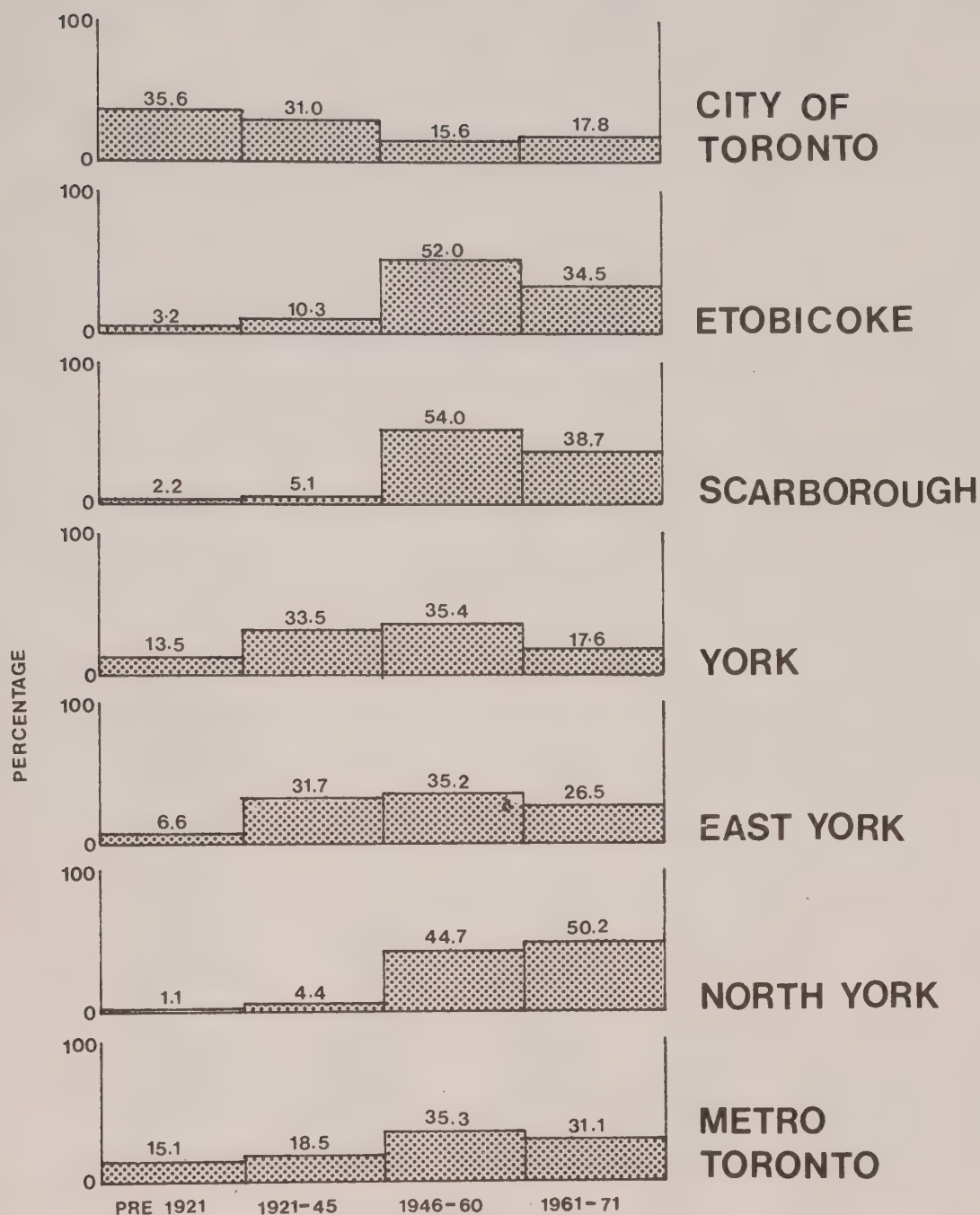
Housing conservation in its broadest interpretation is concerned with the maintenance of the total housing stock -- new and old, owned and rented. In this broad sense, an understanding of the general character of the entire stock is important. While it is true that the major problems in conservation are related to the older stock, an understanding of the character of the newer stock, particularly that built in the last 20 years or so, can provide an indication and some appreciation of future conservation issues as today's existing stock ages.

According to the last Census of Canada, there were in 1971 629,215 occupied dwelling units in Metropolitan Toronto -- an increase of 131% over the 1951 total. As indicated in Figure 8, while two-thirds of the total housing stock has been built since World War II, the age of the housing varies considerably from one area municipality to another. As one might expect, the City of Toronto is the only area municipality in which over half (66.6%) of the dwellings were built prior to 1946 (eg. 35.6% pre-1921 and 31% between 1921-1945). In contrast, between one-third and one-half of the total housing stock in the suburban municipalities of Etobicoke, North York and Scarborough has been built since 1961.

In addition to a significant increase in the total number of units between 1951 and 1971, there was a considerable change in the distribution of units according to structural type. In 1951, 22.1% of all occupied units were of the apartment/flat type, whereas by 1971 apartment/flats, as a proportion of all occupied units, had increased to 40.6% (See Figure 9). Given the close relationship between structural type and tenure -- i.e. most single-family type dwellings are owned and most apartments are rented¹ -- it is not surprising that as the proportion of apartments in the total stock increased, so did the proportion of tenant occupied dwelling units--from 29% in 1951 to 49% in 1971.

Paralleling these changes in structural type and tenure, there were significant changes in the size of households between 1951 and 1971. The proportion of larger households in Metro has been steadily decreasing since

¹It should be noted that the recent trend towards condominium ownership of apartments was not pronounced enough in 1971 to have had a significant effect on the above statistics.



PERCENTAGE DISTRIBUTION OF HOUSING BY AGE IN METRO TORONTO

RELATIVE PRODUCTION OF HOUSING DURING
4 CONSTRUCTION PERIODS
BY AREA MUNICIPALITIES

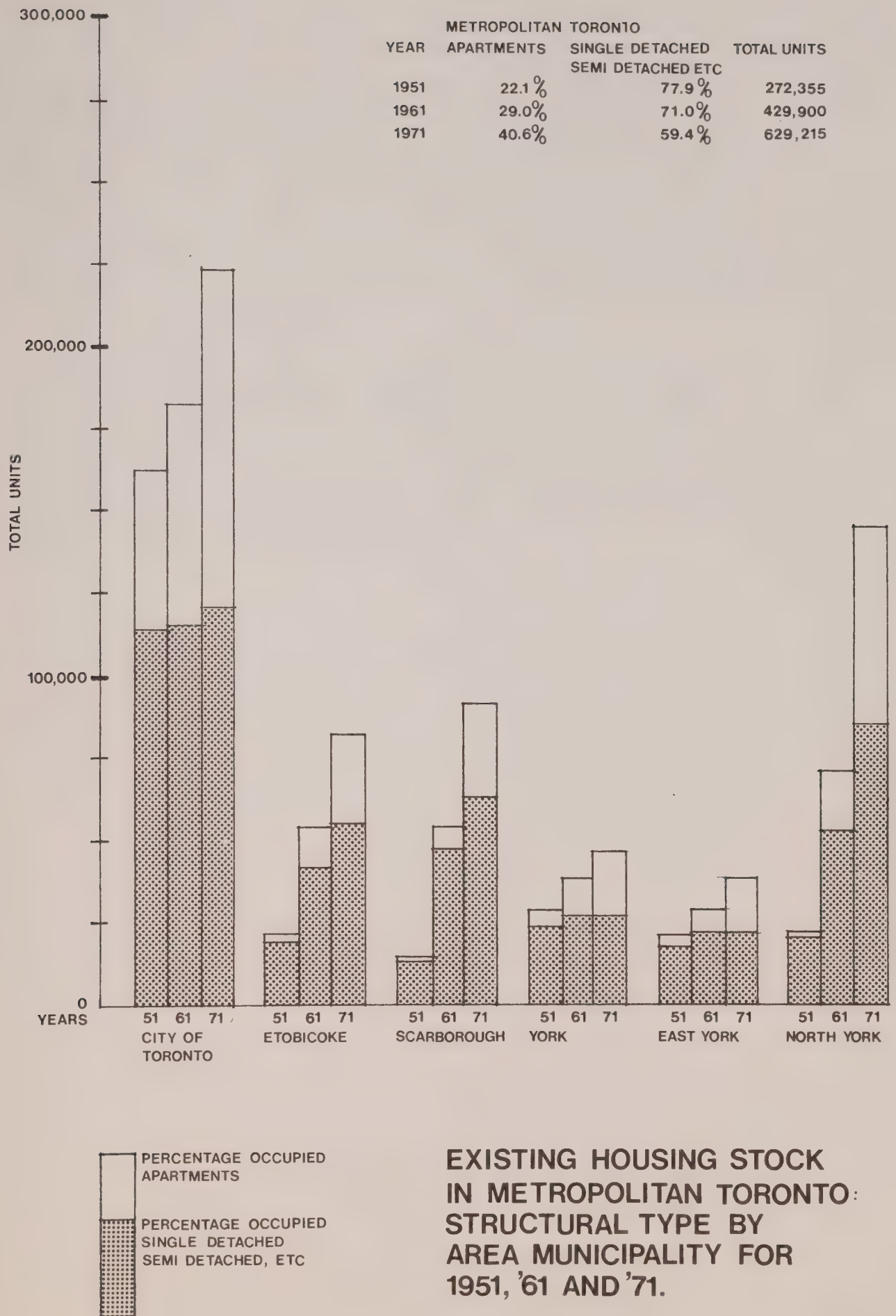


FIGURE : 9

1951. For example, between 1951 and 1971, the percentage of households in Metro with 4 or more persons declined from 52.8% to 40.1%, bringing about a reduction in average household size from 4 persons to 3.2 persons. Parallel to this decrease in average household size, there has been an increase in single person households. The proportion of single person households in Metro has increased from 4.9% in 1951 to 15.0% in 1971. Within the City of Toronto, there has been an even more pronounced increase in single person households to 23.3% in 1971.

In summary, the above statistics show that the newer housing stock in Metro is considerably different from the older stock in terms of both structural type and tenure. While conservation concerns are currently centred around the older single family type dwelling, in the future considerably more attention will be required with respect to the conservation of apartment rental units.

THE CONSERVATION PROCESS

For the most part the conservation process is a private sector activity undertaken by individual householders or landlords, either on a regular basis as part of home maintenance, or less frequently, as part of more expensive home repairs and renovations. The limited conservation activities of the housing industry are concentrated in the area of renovations and conversions.

There are basically four aspects of conservation, each of which will be discussed separately.

- 1) Maintenance and rehabilitation are concerned with keeping existing structures in a habitable condition, i.e. up to standards.
- 2) Renovation and conversion involve major improvements and a change in either the arrangement or use of space.
- 3) Demolition control is more general in that it is simply a means for delaying or preventing the removal of existing stock and can be used to further various conservation objectives.
- 4) Reconstruction and preservation involves protection of buildings of architectural or historical importance.

The role of government in conservation is of recent origin. Although there has been a sudden proliferation of conservation programs at the federal, provincial and local levels, the number of programs in no way reflects the effectiveness or extent of government activity and by comparison, government involvement in the production process far outweighs its involvement in conservation.

As the availability of land for new housing in Metro Toronto decreases, the pressures for redevelopment at higher densities increase. In light of these pressures, the extent to which the conservation process is successful will to a great extent depend on government financing, regulations and the effectiveness of

specific conservation programs.

1) Maintenance And Rehabilitation

Maintenance and rehabilitation are predominantly private sector activities whether undertaken by owner-occupants or landlords. Since almost all routine maintenance can be done without a work permit, there is little to indicate the extent or effectiveness of this activity except as evidenced by the generally good condition of the stock of older housing in the community.

In some cases, where the housing is allowed to fall below maintenance standards, rehabilitation is required to bring it back up to standards. It is in the area of rehabilitation that government has recently begun to take a more active role. Unlike the Urban Renewal Program (1964-1967), which provided for public acquisition of land and buildings and their redevelopment with little consideration given to conservation of the existing stock, more recent programs have been directed toward the improvement of existing neighbourhoods and housing. The specific objectives of these programs are to maintain existing residents in their current housing, whether owned or rented.

Some of the stigma of old style urban renewal (particularly its designation of slum clearance areas) still persists and has affected the acceptance of current rehabilitation and improvement programs such as the federally sponsored Neighbourhood Improvement Program (NIP) which also requires the designation of "improvement areas". In some instances the City and boroughs have found it difficult to take advantage of the program because of neighbourhood resentment and opposition to such designations. This is in spite of the program's stated objective of improving neighbourhood facilities and the requirement that areas be designated as improvement areas before individual home owners are eligible for home improvement loans under the federal Residential Rehabilitation Assistance Program (RRAP). On the other hand the Ontario Home Renewal Program (OHRP), applicable both inside and outside NIP areas, does not require any area designation and generally seems to encounter less resistance. To date, the effectiveness of the federal NIP program has been varied. In Metro, only the City of Toronto and the Borough of Etobicoke have

begun to take advantage of the program. The Borough of York was unsuccessful in its application for NIP funding and the Borough of East York felt that the designation requirement was a major obstacle to applying for NIP funds. The City was able to identify 12 areas for NIP funding (eventually reduced to 4), while North York, with a relatively new stock of housing, was unable to identify any areas suitable for assistance under the Neighbourhood Improvement Program.

To augment the NIP and RRAP programs, the federally sponsored Non-Profit Housing Assistance Program (NHAP) can be used for rehabilitation of housing inside and outside NIP areas and the Site Clearance Program, applicable outside NIP areas, provides grants for the purchase of buildings which are below maintenance standards and beyond rehabilitation.

The non-profit program, in addition to providing assistance for new construction, provides funding on a full recovery basis for residential conversions and rehabilitation by non-profit corporations (including public non-profit corporations and cooperatives). Funds provided include a grant of up to \$10,000 to cover start-up costs as well as 100% loans for 100% of costs at 8% for units provided at market or below market rents, the exception being provincial housing agencies which receive only 95% financing.

While federal funds are also available for acquisition and rehabilitation under the Insured Mortgage Loans and Limited Dividend programs, in the past, these programs have favoured new housing rather than the rehabilitation of existing stock.

As noted above, the province's maintenance and rehabilitation program centers on the Ontario Home Renewal Program (OHRP), which is designed to assist financially owner-occupants in repairing their homes to standards developed locally and acceptable to the Ministry.¹ It is intended that OHRP be used in conjunction with the federal NIP and RRAP programs as well as outside NIP areas. Following the approval of an application by a local municipality (or a

¹This program is at present only applicable to owner-occupants and cannot be used by absentee landlords.

regional municipality where one exists) to participate in OHRP, the province allocates funds to that municipality on a per capita basis. Each municipality is then responsible for the program within its jurisdiction. Unlike the surrounding regional governments which allocate the funds according to need throughout the region, Metro has no such responsibilities and OHRP funds are paid directly to the area municipality. Funds unused in one area municipality cannot be transferred to another.

Municipalities receive funds to assist in administering the program and carrying out the inspections required by OHRP, at a rate of \$150 per successful applicant. This sum is deducted from the funds awarded to each successful applicant. This assistance may be sufficient for the administration of the program in a municipality where an inspection program and staff already exist, but is insufficient in municipalities where staff and an inspection program must be developed, particularly in municipalities where many applicants are unsuccessful.

Much as with NIP and RRAP, OHRP is just getting underway and its impact is still difficult to measure.

In concert with the OHRP and NIP programs, the province has been encouraging the adoption of municipal housing maintenance standards which prescribe standards for the maintenance and occupancy of residential property.¹ The major concern with occupancy and maintenance standards has been that where standards are enforced and no rehabilitation funding programs are offered, owner-occupants unable to afford repairs will be forced to sell their homes, and landlords forced to make repairs, will pass the cost on to their tenants through rent increases which many tenants cannot afford.

The enforcement of standards also has negative effects in the case of the City of Toronto's Lodging House By-law which establishes occupancy standards and requires safety features for lodging houses. In some instances, landlords avoid making improvements by reducing occupancy so that the lodging house requirements no longer apply. In such instances enforcing maintenance and occupancy standards has the effect of reducing accommodation available, instead of improving it.

¹Such standards already exist in the City and boroughs.

Caught between the conflicting objectives of requiring safe and habitable accommodation and encouraging inexpensive housing, the City of Toronto has developed its own programs for assisting home owners in bringing their properties up to standards. The Housing Standards Loan Program offers a fixed interest rate of 6½% for home improvement loans, but only households with incomes above \$10,000 seem to be in a position to take advantage of the program. The Winter Works Program provides free repairs on houses of owners with family incomes below \$6,000. The Demonstration Rehabilitation Program (initially funded by CMHC) allows the City to make loans to families with a maximum annual family income of \$8,000 to assist them in bringing their accommodation up to maintenance standards.

2) Conversion And Renovation

Like maintenance and rehabilitation, conversion and renovation are predominantly private sector activities. It should be noted that the rehabilitation programs described in the previous section can only be used to bring the accommodation up to standards and cannot be used for more the more extensive property improvements required for renovations or conversions.

Although the federal government has provided some funding for conversions, government activity with respect to renovation and conversion has been primarily regulatory and at the local level. For the most part the City and boroughs have been involved in renovation and conversion activity through the use of building by-laws and zoning regulations to control physical alterations and changes in use, respectively.

Federal government programs to aid conversions generally are limited to funding under the Residential Rehabilitation Assistance Program (RRAP) and Non-Profit Housing Program. The Accelerated Rental Program could be used for funding conversions to low rental housing, but this aspect of the program has received very little funding, if any. Similarly, the Insured Mortgage Loans Program can make funds available for conversions and renovations, although the emphasis of this program has been on new housing.¹

¹As noted in City of Toronto Planning Board, Housing Programs, (1974), p.48, "...this program has insured mortgages on 695 new units, 84 new beds and 56 existing units within the City between January 1 and September 30, 1974."

The main concern with renovation, particularly in the City, has been the effect that renovations have had on the cost of housing in the context of an inflationary and speculative housing market. "White painting",¹ partly because it can produce speculative profits, has forced whole neighbourhoods through a transition from low cost housing to middle and upper income housing. Although this process serves to rejuvenate what might be a deteriorating stock, the fear expressed is that the phenomenon will deplete the stock of low cost accommodation, pinching the low-income and even lower-middle-income families between high cost new housing and the rising cost of older housing, unnecessarily forcing them into public housing or rental accommodation.²

Another aspect of conversion which has recently become of increasing concern is one of tenure, that is, the conversion from rental to condominium. The provincial Condominium Act has resulted not only in the development of condominiums instead of rental projects but also in a great number of conversions from rental to condominium. At a time when there is a less than 1% vacancy rate in rental projects (and rapidly increasing rents) such conversions have caused great concern. The Boroughs of Etobicoke and York have enacted by-laws regulating minimum unit size and recreation facilities for condominiums and thereby, to some extent, controlling the number of conversions. Scarborough has requested that the Minister of Housing exercise his power to restrict conversions in the Borough and North York has also moved in that direction.

3) Demolition

Demolition is a part of both the housing production and conservation processes. It is a pre-requisite

¹White painting initially referred to the painting of older housing to give them a renovated character. The term is now more broadly applicable and is used to refer to all types of renovation.

²It should be noted that white painting may be further accelerated by the provincial land speculation tax which may force absentee landlords into making major improvements (not less than 20% of purchase price) to escape the 50% tax on the increase in value realized on the sale of all real property in Ontario. The effects of the Land Speculation Tax on renovation and conversion however, are not yet evident.

where there is a scarcity of vacant land and where existing uses (be they warehouse, industrial or low density residential) need to be removed in order to make room for residential development. Demolition is also the antithesis of housing production in cases where existing stock is replaced by non-residential development.¹

In the past, much of the concern over demolition has been expressed in terms of the need to preserve historic sites. There is presently, however, growing recognition of conservation as an important element in building up the housing stock as well as growing interest in the powers of area municipalities in controlling demolition.

Municipal control over demolition for the most part consisted of the power to issue permits for demolition. The City of Toronto, since 1967, also has had the power to defer the issuance of demolition permits for historic sites. Recent amendments to The Planning Act (1974), however, recognize the importance of conservation in the housing production process. Section 6 of the Planning Amendment Act (1974) gives any municipality which has enacted a minimum standards of maintenance and occupancy by-law, the power to designate any area to which such a by-law applies as an "area of demolition control".

In areas so designated the municipality may refuse to issue a demolition permit for as long as one month, provided the applicant has not already been issued a building permit.

The purpose of this legislation is to give the City some control over depletion of its housing stock by demolition of residential properties long in advance of their replacement with new buildings.²

¹ It is difficult to measure how demolitions have figured in the housing provision process. Although we know that 11,720 dwelling units were demolished in the City between 1957 and 1971 it is hard to know how many of these were replaced by residential development and how many were replaced by commercial or industrial development.

² Klein and Sears, and Damas and Smith, Core Area Housing Study, Appendix, Report Prepared for the City of Toronto Planning Board, (December, 1974), p.331.

4) Reconstruction And Preservation

Many of the reconstruction and preservation aspects of housing conservation have little effect on the housing production process except in instances where historic sites stand in the way of residential development or where the historic designation can be used to delay the demolition of viable housing.

The aim of preservation is to retain elements of the built environment which are recognized as having contributed to the development and growth of a particular culture or way of life and to do so while keeping the building in active use.¹

In the past, much of this type of work was done by private associations. However, recently government involvement has made possible more aggressive activity in the area of preservation. At the provincial level, the Ontario Heritage Foundation (1967), as part of its program of acquisition and restoration of historically significant properties, has adopted a policy of using such properties for rental dwellings, senior citizen centres, etc. However, like most historical boards, committees and societies, its main function is not the provision of accommodation but the preservation of historically important structures for educational and cultural purposes.

At the municipal level, the efforts of historical societies are being augmented by public activity. Of the six area municipalities four have presently adopted some type of council-linked board or committee concerned with historic preservation. However, the City of Toronto is the only area municipality which has enacted by-laws for the preservation of existing structures. As noted earlier, pursuant to the City of Toronto Act, (1967), the City has been delegated power to designate as "historic", sites deemed by Council worthy of preservation and thereafter, for buildings so designated, Council may defer the issuance of a work or demolition permit for up to 60 days. Provincial legislation proclaimed in effect March 5, 1975² requires a municipality to respond

¹James Weller, Management of Historical Resources, A Report Prepared for the Metropolitan Toronto Planning Board, (1974), pp. 25-26.

²Ontario Heritage Act, 1974 Statute of Ontario 1974, c. 122, s. 34 (2) (B).

within 90 days to an application for a demolition permit for a designated building. Council may at that time delay the issuance of such a permit for a period of up to 180 days.¹

¹Such holding actions as the 60 day "holding period" have come under suspicion as holding actions for either discouraging the development or for forcing a development agreement where none was formerly required.

SUMMARY REVIEW OF GOVERNMENT ACTIVITIES IN THE CONSERVATION PROCESS

The accompanying chart (See Figure 10) provides a summary listing of the current government activities which affect the housing conservation process. Like the summary of production activities, the conservation activities are organized according to levels of government, as well as according to the four aspects of conservation: maintenance and rehabilitation; renovation and conversion; demolition; and reconstruction and preservation. The chart also identifies these activities as either 1) financing, 2) regulation or 3) direct involvement.

While Figure 10 indicates a substantial degree of government involvement in conservation, it must be remembered that conservation is primarily a private sector activity. Unlike the production process, which has a well developed and efficient development industry as an intermediary actor between government and consumer, there is no counterpart in the conservation process. Rehabilitation and particularly renovation are activities which, in the past, have been undertaken primarily by the homeowner or property owner and the type of programs offered by the three levels of government have tended to reflect this fact. Briefly, federal and provincial involvement is mainly through funding and local levels are involved primarily with regulation. The City of Toronto, which has taken advantage of recent non-profit programs to enter the field of conservation in a more direct way, is the notable exception. Metro has no role in conservation.

As noted earlier, government activities in the area of maintenance and conservation generally have not been significant. Although some conservation programs have been available for some time, only recently have government programs taken into account the significance of the existing stock in increasing the total supply of housing. While as far back as 1937, the federal government made low cost financing available for home improvements by guaranteeing loans made by conventional lending institutions, the first major direct involvement of government in the improvement of urban areas was through the urban renewal provisions of the NHA. Although these programs were concerned with improving the quality of urban neighbourhoods they generally were implemented through the acquisition of older buildings and the renewal of the area through clearance and replacement. There was little attempt to improve

	Maintenance and Rehabilitation									Conversion and Renovation			Demolition Control	Preservation and Reconstruction
Federal	<ul style="list-style-type: none">■ Guaranteed Home Improvement Loans and Home Extension Loans (direct funding to consumer)■ Insured Mortgage Loans (direct funding to consumer)	<ul style="list-style-type: none">■ Neighbourhood Improvement Program (NIP)	<ul style="list-style-type: none">■ Residential Rehabilitation Assistance Program (RRAP)		<ul style="list-style-type: none">■ Limited Dividend■ Public Housing Program (Rehabilitation)	<ul style="list-style-type: none">■ Site Clearance Program	<ul style="list-style-type: none">■ Non-Profit Housing Assistance Program (NHAF)	<ul style="list-style-type: none">■ Co-Operative Housing Assistance		<ul style="list-style-type: none">■ Guaranteed Home Improvement Loans and Home Extension Loans (direct funding to consumer)■ Insured Mortgage Loans (direct funding to consumer)	<ul style="list-style-type: none">■ Limited Dividend Program	<ul style="list-style-type: none">■ Non-Profit Housing Program		
Province		<ul style="list-style-type: none">■ Neighbourhood Improvement Program (NIP)		<ul style="list-style-type: none">■ Ontario Home Renewal Program (OHRP)						<ul style="list-style-type: none">● Condominium Act● Land Speculation Tax				<ul style="list-style-type: none">▶ Ontario Heritage Foundation
Regions		<ul style="list-style-type: none">▶ Neighbourhood Improvement Program (NIP)	<ul style="list-style-type: none">▶ Residential Rehabilitation Assistance Program (RRAP)	<ul style="list-style-type: none">▶ Ontario Home Renewal Program (OHRP)										
Metropolitan Toronto														
Area Municipalities	<ul style="list-style-type: none">● Building Permits	<ul style="list-style-type: none">▶ Neighbourhood Improvement Program (NIP), (City of Toronto, Etobicoke)	<ul style="list-style-type: none">▶ Residential Rehabilitation Assistance Program (RRAP)	<ul style="list-style-type: none">▶ Ontario Home Renewal Program (OHRP)● Maintenance And Occupancy Standards And Inspection Program■ Housing Standards Loan Program (HSLP)		<ul style="list-style-type: none">▶ Site Clearance Program	<ul style="list-style-type: none">▶ Non-Profit Housing Company (City of Toronto)		<ul style="list-style-type: none">▶ Demonstration Rehabilitation Program (City of Toronto)▶ LIP Non-Profit Rehabilitation Program (City of Toronto)▶ Winter Works Program	<ul style="list-style-type: none">● Building By-Laws● Zoning Regulations (land use and density)		<ul style="list-style-type: none">▶ Non-Profit Housing Company (City of Toronto)	<ul style="list-style-type: none">● Designation of Area for Demolition Control● Demolition Permits	<ul style="list-style-type: none">● Demolition Delay, 180 days re: List of Historical Buildings▶ Public Historical Boards

Housing Conservation Policies and Programs

■ Financing
● Regulation
▶ Direct Activity

Figure 10

the existing buildings, and in the few instances where this was done, they were acquired by a public agency and rehabilitated for public housing.

With the recent amendments to the NHA, a series of new federal programs have been adopted which are designed to assist private owners in improving their own housing by means of a system of loans and grants. These programs, Neighbourhood Improvement Program (NIP) and the Residential Rehabilitation Assistance Program (RRAP), in conjunction with the provincial Ontario Housing Rehabilitation Program (OHRP) (which is not applicable to absentee landlords) are examples of the kind of governmental intervention which is intended to aid in the conservation of the existing stock. Because these programs are recent, their effectiveness cannot yet be measured, however, such rehabilitation funding programs in conjunction with minimum maintenance by-laws should provide some assurance both that housing can be maintained to a reasonable level of quality and that this can be accomplished without an undue financial burden upon those of limited income.

Paradoxically, the major issue with respect to older housing in Toronto is its desirability. In the Toronto region, the older stock of housing is generally of reasonable quality and in a reasonable state of repair. There is a demand for this housing which puts pressure on its occupants. If they own their homes and have difficulty in maintaining them, the opportunity to sell at relatively high values is very attractive. If they rent they are displaced either by higher rents or by the sale of the property and often have difficulty in finding new accommodation. One of the prime purposes of rehabilitation programs is to afford persons of limited income the choice of remaining in their present housing.

The long-term effectiveness of these programs in ensuring the retention of a sizeable proportion of the older stock for those of limited income, remains to be proven. However, the City of Toronto's demonstration program, and the initial results of the current programs would seem to suggest some optimism is justified. Although the major concern with conservation is centred in the municipalities where a large stock of such housing exists,¹ this is a

¹Over a third of the entire City of Toronto housing stock is over 50 years old and two-thirds of it is over 30 years old. York (47%) and East York (38%) are the only boroughs with a substantial proportion of older (pre-1946) stock. (See Figure 8)

problem which affects the entire region. It will become increasingly important as the stock outside the central area ages.

In summary, continued interest of private individuals in maintaining and even extensively improving their premises has been and is likely to continue to be the most effective assurance that the existing housing stock will be adequately maintained. Ironically it is the increasing attractiveness of older housing and its consequently rising costs which is creating difficulties. Perhaps the major concern of government in relationship to housing conservation should be in attempting to assist those of limited income, who currently reside in older homes and who prefer to remain there, to maintain this occupancy.

The other issue of some consequence, is the matter of tenure. There is increasing concern with the need to preserve an adequate supply of rental housing, with the implied restraint upon conversion to condominium ownership.

PART 3: THE CURRENT HOUSING SITUATION

Until recently housing production in the Metropolitan area was able to keep pace with demand in the marketplace. One measure of the adequacy of the supply of housing insofar as rental accommodation is concerned, is the proportion of the apartment stock that is vacant at any one point in time. According to CMHC's semi-annual apartment vacancy surveys, vacancy rates in the Toronto Census Metropolitan Area remained relatively constant at between 2.1% and 3.2% during the period 1969-71, but have been steadily declining since 1971 (from 3.2% in December 1971 to 0.9% in December 1974).¹ Similarly, the number of annual dwelling starts in the Toronto Census Metropolitan Area (both sale and rental) while showing a gradual decline since 1972, fell off sharply in 1974 to 16,272 -- the lowest number of dwelling starts in Metropolitan Toronto since 1962. In comparison, housing starts in those parts of the Toronto Census Metropolitan Area outside of the Municipality of Metropolitan Toronto did not show the same decline in 1972 and 1973² as in Metro. However, they did fall off sharply in 1974, from 13,723 in 1973 to 10,662 in 1974.

Not only have housing production and vacancy rates declined in Metro in the last few years, but the cost of housing (particularly housing for sale) has increased at unprecedented rates. According to the Toronto Real Estate Board, the selling price of homes in Metro (both new and resale), increased from an average price range of between \$29,959 - \$36,386 in 1972 to an average price range of between \$50,097 - \$58,663 in 1974 -- an increase of between 60%-62% in two years. Even more dramatic the selling price of new homes alone climbed from an average of \$40,384 to \$70,746 during the period January 1973 to January 1975 -- an increase of over 75% in two years. During approximately this same time period, the Consumer Price Index for the Metropolitan Toronto Census Area showed a comparatively smaller increase of about 20%.

While accurate and consistent data are not available regarding changes in rents, it is generally accepted that over the last few years rents have not escalated at the same rate as the selling price of homes. It

¹As a "rule of thumb", a vacancy rate of 3% is usually accepted as indicating that housing is generally fully occupied with some allowance for people moving in and out.

²Including parts of the Regional Municipalities of Durham, York, Peel, and Halton and urban centres such as Mississauga, Oakville, and Brampton.

has been estimated¹ that rents increased at an average of only 5 - 6% a year between 1971 and 1973. However, during 1974, the estimated rate of increase doubled to 12%. This has resulted in considerable public concern, to the extent that the City of Toronto has made requests to the Province for authority to institute rent controls.

The recent reduction in housing starts is in a large part due to extreme distortions in the cost of producing housing. The major factors contributing to these spiralling costs include increases in the cost of money, land and construction. The effect of each of these cost factors is intensified by the length of time required to obtain approvals to build.

The cost of money -- i.e. mortgage and interim financing interest rates -- has risen continuously and considerably over the past few years. Conventional mortgage interest rates increased from approximately 9.25 - 9.75% in 1971 to just over 12% in the latter part of 1974.² While interest rates on conventional mortgages have declined somewhat during the first three months of 1975, the current (March 1975) rate of approximately 10.75% is still higher than at any time prior to 1974.

The high cost of money, because it represents such a major component in the cost of housing, has become a major inflationary element in housing costs. Although the cost of money is to a large extent controllable by the federal government, it appears that when general economic policies and housing policies are in conflict, the federal government makes decisions which favour economic matters, often at the expense of housing.

A second major factor behind the recent escalation in housing costs has been the rapid increase in the cost of land in Metro. Research prepared for the Ontario Task Force on Housing Policy showed that:

¹Toronto Star, April 26, 1975.

²Interest rates of NHA approved mortgage loans move in accordance with interest rates on conventional mortgages, but are generally 0.5% less than conventional rates.

"of the three main housing production factors -- land, labour, and materials -- land cost has consistently increased at a higher rate since 1961 in all major urban areas of the province. The most dramatic increases have occurred in the Metropolitan Toronto area, where the average price of a serviced lot in March, 1973 (\$22,000) represented an increase of perhaps 100 percent over the previous year"¹

This high cost of land has also had the effect of encouraging more costly housing. In order that the cost of a house will appear to be in reasonable balance with the cost of land, more expensive houses are constructed. While government has recently intervened in the land market through public land assembly and through the introduction of a new land speculation tax, these interventions do not appear to have had a moderating effect on land costs, except in isolated cases.

Construction costs have also been increasing. Between 1961 and 1971, labour virtually doubled in cost and materials increased by 45%. Construction costs in Ontario further increased by 15% during 1973 and an additional 8% in 1974. Although this has obviously not been as significant an inflationary factor as the other two cost factors in housing production, the three in combination have had a profound effect on the cost of housing to the consumer.

The net effect of these increases in production costs is that the private sector (the conventional source of most housing) cannot, without some assistance, provide for other than the upper income groups. In recognition of this, government programs have recently focused on ways to extend the capabilities of the private sector, by providing money at less than market rates in return for guarantees for lower than market rentals and lower than market selling prices. The federal government's Accelerated Rental and Assisted Home Ownership Programs, and the provincial government's HOME program are examples of this kind of assistance to the private sector. However, despite

¹Ontario Government Advisory Task Force on Housing Policy, Working Papers: Volume 2 (June 1973) p.2.

these government interventions, the production of housing continues to fall off as evidenced most recently by the fact that housing starts for the month of March 1975, were down by 50% from the number of starts recorded for the same month last year.¹

Another major focus of government funding has been the encouragement of non-profit and cooperative housing production. This emerging "third force" in housing is, however, also affected by increasing costs, and even with grants from the senior levels of government, is having difficulty in producing housing at reasonable costs.

Within Metro in particular, the projected costs of "third force" projects are in many instances above the level considered acceptable by government and therefore funding is withheld and projects are abandoned. As a result, in spite of the attempt by government to encourage this new sector and thus provide housing for a broader range of income groups, very little housing of this sort is actually being produced today.

The ability of the public sector to provide housing similarly has been affected by the rapid increase in costs. However, there are two further factors which are affecting public provision of housing for people of low income. First, current government priorities are resulting in a reduction in funding for low income housing. Secondly, public sector provision is complicated by the transition in the method of provision from individual projects to provision as an integral part of other housing.

As noted earlier, although public housing continues to be provided for senior citizens, virtually no new family public housing has been built since 1973 and the alternative techniques which have been developed to replace direct public provision have not yet resulted in significant numbers of housing units. Consequently, of all the housing provision sectors, the one most in need of re-examination is the public sector.

¹Toronto Star, April 26, 1975.

PART 4: A GENERAL ASSESSMENT OF GOVERNMENT ACTIVITIES

In the light of the current situation, it is useful to ask how effective government involvement in the housing system has been. Has this involvement constituted a good investment of public monies and efforts? Have the activities of government been the most effective means of accomplishing public objectives in housing?

Such questions are difficult to answer precisely, as the costs and benefits of government activities in housing are difficult to measure. For example, although government has had a presence of some consequence in the field of housing for 40 years, throughout that period its activities have altered considerably. In fact, most government involvements are of relatively short-term duration and often change significantly from year to year. Moreover, it is difficult in retrospect to account for changing public attitudes and aspirations with respect to such activities. A housing program which is designed to deal with a specific set of economic and political conditions at one point in time may seem most inappropriate and unsuitable a few years later. The old urban renewal program (1964-1967) is a good example of such change.

As we have indicated, the activities of government in housing can be classified into three general areas: financing, direct involvements, and planning and regulation. A brief general assessment of each of these can be of value even if more precise measures of program effectiveness are not available.

Financing: From the point of view of financial investment, the early efforts of CMHC to stimulate private sector provision of new housing in the rapidly expanding suburbs were certainly quite successful, as has been its continuing encouragement of private sector housing and its assistance to the public and non-profit sectors for housing for people of lower incomes. Federal government "investments" in housing have not only produced a large number of dwelling

¹These programs were undertaken by loans which although at somewhat less than market interest rates, nevertheless were repaid with interest to the government. Thus these are government investments, not expenditures.

units, but continually have produced annual profits more than sufficient to support all other federal government housing activities, including its direct subsidies.¹

It is also useful to examine who has benefitted from the housing which was provided under this federal funding. During the first three decades of federal funding, most loans were directed to middle-income households. In more recent years, the main intent of federal funding has been to stimulate the provision of housing for low and moderate income groups. This change in emphasis happened dramatically and rapidly, during the late 1960's and resulted in a considerable impetus to housing for these income groups. However, over the last few years further adjustments in federal funding have taken place. Not only has the total number of units funded under the NHA been decreasing, but the number of low income housing units directly funded has been decreasing even more rapidly. There has been a change in emphasis back to moderate-to-middle income housing and a de-emphasis on housing for the poor.

The provincial government has a shorter history of investment in housing than the federal government. Provincial investment primarily has been concerned with expanding the market that the private sector could serve, by reducing direct costs through such programs as land leasing. More recently the province, like the federal government, is supporting housing for a broader range of income groups and its annual investment in housing has been growing to the extent that this year it could exceed federal investment in Ontario for the first time. However, the proportion of funding specifically for low income groups has declined as a result of the fact that direct provision of housing for low income families has virtually stopped.

There is relatively little direct investment in housing at the local government level but it should be noted that there is a considerable indirect investment in the form of services for housing. The provision of new housing, whether produced with assistance from the upper levels of government or entirely as a result of

¹The Provincial Government on the other hand, has not generated sufficient income for its other housing activities to offset its considerable share of housing subsidies. Similarly, the local share of housing subsidies, although smaller, has resulted in annual costs to municipalities.

private initiative, must be accompanied by the provision of a large number of services -- sewers, water, roads, health facilities, schools, etc. Although the upper levels of government assist the local governments in the provision of such services and although developers may in some instances provide some of the hard services, a substantial investment is nevertheless required from municipalities for both provision and operation of these services. It is difficult to measure the effectiveness of this investment but it is generally accepted that Metro Toronto benefits from a high standard of servicing.¹

In summation, government funding over the last few decades has assisted the provision of a large number of housing units for a relatively broad range of income groups. Assistance to the lower income groups has varied through the years and currently does not appear to be a high priority.

Direct Involvement: The major direct involvements of government in housing over the last decade have been in the provision of housing for low income people and in land banking. As noted above, there is currently very little provision of new housing for low income families, and such provision now is primarily for senior citizens. More recently, the City of Toronto has become involved in the provision of non-profit housing but this new thrust has not yet resulted in a large number of housing units.

On the other hand, government involvement in land banking is expanding. This activity is now being carried on by virtually every level of government. Although government land assembly has been effectively used to assist in the provision of housing through other government programs, the direction that more intensive public land assembly will take is unclear at this time. To a large extent, it is dependent upon emerging overall government housing strategies.

Planning and Regulation: The other major area of government involvement in housing has been in the planning

¹Province of Ontario, Advisory Task Force on Housing Policy, Working Paper C, Land for Housing, p.9

and regulation of new housing development. This has been a responsibility shared by the provincial government with local governments. The jurisdictional framework set up by the province for Metro was quite successful. By and large, new housing development in Metro took place efficiently and in conformity with public aspirations.

However, in the last few years, as the effects of inflation on housing have become more and more pronounced, and as values, needs and aspirations respecting growth and development have been changing, the effectiveness of the existing jurisdictional structure is being increasingly questioned. There is no clear planning framework for new development in the region. Land use controls are inadequate and cumbersome in dealing with redevelopment in urban areas. Controls on new housing development are very time-consuming. Land costs are high and production of housing is lagging. Although it is obvious that many factors contribute to this situation, the network of controls established to provide public protection and the lack of an overall plan for development in the Metro region are contributing to the increasing costs and retarding production.

The Role of Government: The roles of the various levels of government have been adjusting during the last few years. The federal government while maintaining the fundamental role of banker, has also become more directive through the establishment of specific program allocations. This is of some consequence, as changes in federal policies affect complementary policies and programs of other levels of government.

The role of the province has been continually expanding. In the field of planning and regulation, it has undertaken and stimulated a series of studies on growth, development, housing, and transportation within the Metro region as well as restructuring government in the area. It has established a Ministry of Housing to direct its expanding housing activities. It has become increasingly involved in land assembly. It has increased its investment in housing through its own mortgage agency. It operates an enormous stock of housing for low income families and senior citizens. In short, its involvement in housing now embraces every type of activity, from land assembly to housing management.

The role of the province in planning, as it affects housing, is particularly important. Although the province delegates much of its planning and regulatory authority to the local municipalities, it remains the final authority. Given existing governmental structures, it is the only authority capable of developing an overall planning strategy. In this instance it has failed to provide a clear framework for municipal planning activities.

The role of local government is also in a state of flux. Changing attitudes towards development and conservation have resulted in more aggressive regulatory actions by some municipal governments. The City of Toronto's approach to controlling development in the core of the City is a good example. There clearly is a desire for development controls to allow new housing to be provided under more precise and effective public scrutiny; to encourage the existing stock of housing to be more effectively conserved; and to ensure a compatibility between new housing produced and that which exists.

At the same time as the area municipalities have become more active in developing their own housing policies or more aggressive in establishing their own positions with respect to growth and development, the role of Metro in these areas has diminished. Now that servicing is virtually complete, there is little left for Metro to do in matters that affect housing provision or conservation as the powers to regulate both the provision of new housing and the conservation of older housing rest primarily with the area municipalities. Attempts by Metro to have a greater impact on housing (eg. its recent interim housing policy statement) have been weak and ambivalent as Metro cannot implement a housing policy without the agreement of the constituent municipalities.

As government has become increasingly involved in the entire housing process, the need for identification and clarification of the roles of the various levels, departments and agencies of government has become increasingly crucial. Those responsibilities most in need of clarification at different levels of government are:

- At the federal level, there is a need for the development of long-term funding policies which create a predictable flow of money under known conditions, so that all three provision sectors may plan in parallel with such policies.

- At the provincial level, there is a need for the enunciation of a clear planning framework for the region in which the basic parameters of growth, and the nature, extent and intensity of development are defined.
- There is a need for precise housing policies and programs at the municipal level (both regional and local) so that some direction can be given to the mix of housing to be provided (both the type of housing and income groups to be accommodated). In addition, there is a need for a system of land use controls which are capable of ensuring that housing provision is congruent with municipal housing aspirations.
- At all levels of government, there is a need to re-examine the means of providing low-income housing assistance and to implement an adequate system for providing it.

**Background Studies Prepared for
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ON METROPOLITAN TORONTO**

- **The Organization of Local Government
in Metropolitan Toronto**
- **A Financial Profile of Metropolitan Toronto
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- **The Planning Process in Metropolitan Toronto**
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**The Royal Commission on Metropolitan Toronto
145 Queen Street West, Suite 309
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M5H 2N9**

